

Financial Management

**Performance
Characterization**

Financial Services focused its efforts on providing quality customer-driven financial support for the scientific and research community at the Laboratory. Management strategies were developed and implemented to achieve the goals and objectives of the organization, such as leading by example, creating a learning environment, and identifying value-added services.

Improved processes and enhanced values contributed to successes in financial operations this year. The development of long-range planning, as well as short-term solutions, and process reviews provided effective actions and strategies for the achievement of goals and objectives. A concerted effort was made this year to increase operational effectiveness, customer focus, communications, and education. Financial Services fostered an organization based upon balanced leadership, principle-based performance, and the willingness to accept challenges and progress. Improvements were demonstrated in the reduction of transaction costs and cycle times.

The focus on learning, communications, and customer relationships demonstrated positive results during the year. A peer review was conducted so that areas identified for future improvements would align with the needs of our customers. Processes (such as a formal survey) were established to collect feedback, which resulted in a high level of satisfaction with our customers. Proactive measures were also taken to provide quality decision support tools, such as financial reports and analyses, which contributed to sound financial practices.

To improve methodologies for effective operations, consultants were hired to assist in the analysis of current processes and systems. New procedures and systems using advanced technologies and internal controls are being developed as a result (such as the Procurement/Receiving/Payables system). The Laboratory also contracted with PricewaterhouseCoopers to review current policies to ensure compliance with Cost Accounting Standards.

In the area of financial stewardship, steps were taken to ensure that costs and commitments did not exceed funding levels. Work for Others accounting practices were assessed, and an in-depth analysis was performed. Process improvements and short-term solutions were implemented to alleviate shortfalls, as well as the development of longer-term strategies, which is currently in progress.

Financial Services placed a high value on employee development, education, and an improved workplace environment this year. For example, a seminar was conducted in coordination with PricewaterhouseCoopers for employees and customers to enhance their awareness and knowledge of quality internal control practices. The implementation of proactive activities, such as expanded flexible work schedules, teamwork, valuing diversity, and a coaching style of leadership, was the result of a new vision for the workforce in Financial Services.

**All Performance
Measures**

Assumptions:

Where appropriate, historical trends are incorporated as the data become available.

Laboratory-wide cost-savings initiatives require the highest level of visibility and Laboratory commitment. For this reason, Performance Objectives, Criteria, and Measures (POCMs) addressing cost savings are included in the Laboratory Management POCMs instead of in the Financial Management section.

**Performance
Objective #1**

Customer Focus and Satisfaction: *Financial Management's practices are customer oriented. (Weight = 10%)*

Summary

It is the mission of Financial Services to provide proactive, rather than reactive, services to the Laboratory community through improved communications with customers. The increased focus on providing quality processes and practices to meet our customers' needs is a key to the foundation of striving for excellence. Active participation in achieving this goal is evidenced by the level of performance in this area.

Objective #1
Criterion 1.1

Methods to Evaluate Customer Expectations: *Maintain systematic methods/programs to collect information and determine internal and external customer needs and levels of satisfaction. (Weight = 5%)*

Objective #1
Criterion 1.1
Performance
Measure 1.1.a

Effectiveness of Methods: *Degree to which effective and systematic methods to collect, document, and use customer feedback information are defined and deployed. (Weight = 5%)*

Assumptions:

Identify internal and external customer groups. Describe what and how information is collected, frequency and methods of collection, and how the finance and budget organizations evaluate and improve their processes for determining customer satisfaction, requirements, expectations, and preferences in support of missions.

Gradient:

An "Unsatisfactory" rating is given when no systematic approach is evident.

A "Marginal" rating is given when a systematic approach is in the beginning stages and major gaps exist in deployment that would inhibit progress in learning from customers.

A "Good" rating is achieved by developing and implementing the capability for systematically obtaining customer feedback.

Factors considered for a higher rating include:

- How well coverage of customer groups is identified.
- Methods used are effective customer communication tools.
- Customer learning strategies have continuity and are consistently deployed.
- Customer feedback is used to improve products/services provided to customers.
- Collection of customer feedback information is frequent/ongoing.
- Formal processes are used to collect, document, and use customer feedback information.
- Methods used are tailored to identified customer groups.
- Meaningful customer feedback is obtained.

An "Excellent" rating is achieved by demonstrating that a fact-based customer improvement process is used, with clear evidence that processes for gathering customer information have improved over time.

An "Outstanding" rating is achieved by demonstrating that a very strong, fact-based process is used, with strong refinement and integration backed by outstanding analysis. In addition, the approach is deployed without any significant shortfalls.

**Performance
Measure Result**

The Financial Services Department is committed to maintaining systematic methods to collect feedback and assessing the needs of both internal and external customers.

**Successes/
Shortfalls**

Specific processes were used to collect information and encourage feedback from customers, such as:

- Business process and diagnostic reviews
- CFO board and staff meetings
- Customer outreach and ad hoc meetings
- Educational sessions
- Lessons-learned sessions
- One-on-one meetings with division directors
- Peer review
- Survey

Identification of Customer Groups

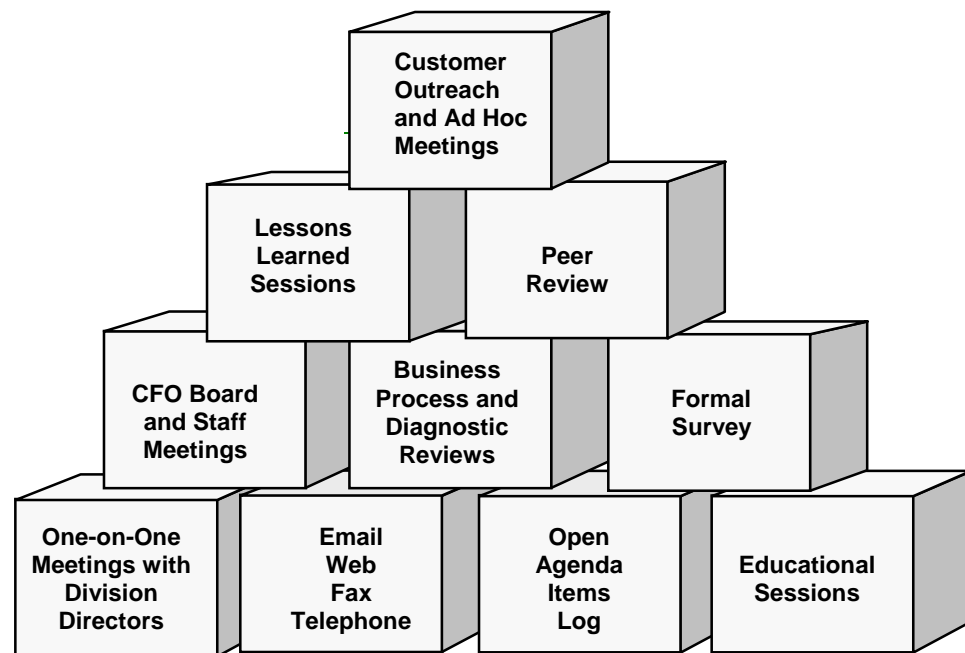
During management meetings, customers were identified and segmented into appropriate groups. The requirements for financial services within each customer group were reviewed and updated, based upon feedback provided at meetings and during normal business interactions. The following table reflects the result of that process:

Internal Customer Group	Key Requirements
Laboratory Director Deputy Director for Operations	Quality financial analysis and reporting. Proactive participation in sound financial management processes.
Senior Management Associate and Division Directors Business and Functional Managers	Timely and informative budget and financial management information. Proactive activities to ensure effective financial stewardship and integrity.
Program Budget Analysts Financial Support Personnel Focus groups and special teams	Timely responses to requests for information. Quality reports and analyses. Proactive communications.
General Laboratory employees	Quality information and assistance. Professional and courteous responses.

External Customer Group	Key Requirements
DOE Headquarters DOE Operations Office DOE Site Office	Quality budget and financial information, using sound financial practices, ensuring compliance with regulatory requirements.
UC Office of the President UC Laboratory Administration Office	Timely responses to requests. Quality data and reports compliant with sound financial practices.
Non-DOE research sponsors, suppliers, and vendors	Timely responses to inquiries. Providing quality information and reporting.

Methods Used Are Effective Customer Communication Tools

Financial Services continued to use effective methods to work in partnership with its customers. The systematic process of soliciting and collecting information fostered communications and developed constructive interactions. Customer needs were identified using the following communication tools:



Customer Outreach Meetings

Regular meetings were set up as customer outreach sessions with programmatic Laboratory divisions. These meetings were used to discuss topics, such as the indirect rate restructuring proposal, the annual indirect budget review, and division budgets. In addition, the meetings served to provide guidance for issues or concerns, invite feedback, and cultivate positive interactive business relationships.

Ad Hoc Financial Services Meetings

Financial Services recognized the need for a more effective method in which to disseminate valuable information to customers and employees. The ability to provide information to customers in a more timely manner (by reducing reliance on other regularly scheduled meetings) is essential for effective financial operations.

As a result, Financial Services initiated special ad hoc meetings (beginning in the Third Quarter) to expeditiously communicate information of value. Meetings are held on an as-needed basis as a forum in which to provide vital information to the field, as well as to employees. Customer comments are encouraged, and feedback is reviewed for applicable follow-up.

Lessons-Learned Sessions

Lessons-learned sessions were conducted for the year-end close, OSTI (Office of Science and Technology Information), and budget formulation. These sessions provide another method in which to gain feedback from our internal customers.

Peer Review

In the Second Quarter, a peer review was conducted to determine whether the areas identified for improving performance for the path forward were consistent with the focus of our customers. A committee of distinguished industry professionals was invited to participate in the review and provide candid feedback.

The CFO (Chief Financial Officer) and the managers of each unit in Financial Services presented an overview of planned objectives, goals, successes, and challenges. The peer review was conducted over a two-day period. Attendees included the Deputy Director for Operations, Division Directors, Business Managers, Functional Managers, and other financial personnel. Four key areas were identified and evaluated by the peer review committee:

- Strategies
- Processes
- Personnel
- Technical issues

The results of this experience provided insight and direction, and assisted in the development of future strategies and customer focus improvements.

CFO Board Meetings

Weekly CFO board meetings are held as an effective method of communicating pertinent information to management. Feedback from the weekly operations meetings (for senior management) is reviewed, and any resolutions to issues are discussed. The meetings also provide the opportunity to update and prioritize applicable Financial Services Department initiatives.

Staff Meetings

Each week staff meetings are held for Financial Services management to review issues and resolutions, discuss customer feedback, training, staff development, and improved supervisory and managerial practices. Staff meetings are also conducted for managers and staff within each unit. Customer concerns, comments, and suggestions received are reviewed on a regular basis. If appropriate, resolutions and steps for improvement are discussed.

Regular Business Meetings

Customer feedback is sought during regular business meetings. Information received is often discussed with management (i.e., monthly DOE CFO meetings) to improve the level of performance and services provided.

Administrative Services Communication Meetings

Biweekly meetings are scheduled by Administrative Services for Laboratory employees involved with administration and finance. These meetings provide a platform in which to discuss relevant topics and provide feedback. Financial Services personnel participated in these meetings to discuss issues and obtain customer feedback.

Business Process Reviews

Financial Services initiated a project in partnership with Pricewaterhouse-Coopers to integrate and improve system processes in Procurement, Receiving, and Accounts Payable. Process reviews and diagnostic interviews were conducted as part of a customer outreach effort to identify weaknesses and target improvement strategies. Candid input from employees responsible for these processes was systematically collected, documented, and used to develop improvements for a desired state.

Cross-functional teams were developed and combined into a focus group to assist in evaluating desired processes and providing customer input. The focus group contributed valuable insight that could be used to develop process improvements and services for the Laboratory.

Formal Survey

Each year, a formal customer satisfaction survey is implemented for one of the functional areas in Financial Services. In FY 2001, the survey was conducted for Accounts Payable. The use of surveys is an effective communication tool that provides customers with the opportunity to voice their opinions and rate our performance.

One-on-One Meetings with Division Directors

The Chief Financial Officer meets frequently with division directors to review financial matters and discuss topics relevant to Laboratory operations. These meetings provide the opportunity to obtain valuable feedback that is communicated to management and staff for appropriate follow-up.

Web

The opportunity to provide electronic feedback is available to customers on the Web site for each department in Financial Services. Comments are routed to the appropriate manager for review and applicable follow-up.

Open Agenda Items Log

This was developed last year as a mechanism to foster communication with our DOE customers. The Open Agenda Items Log identifies outstanding issues, recommendations, and resolutions between DOE and the Laboratory. The log is reviewed with DOE to promote discussions and resolutions, and to encourage open communications.

Educational Sessions

Educational sessions were conducted throughout the year to disseminate information and provide expanded instruction. Financial Services used these as opportunities in which to collect and use customer feedback.

For example, special rate-restructuring informational meetings were held for division directors (or designees) and key financial management personnel. Through these educational sessions, Financial Services management could visit customers to ensure that the new indirect rate-restructuring proposal could be reviewed and understood. Questions, comments, and suggestions were encouraged. These sessions provided a forum in which to understand the needs and requirements of our customers, and promote the exchange of ideas, understanding, and awareness.

Instructional sessions were also organized for the programmatic divisions on the year-end close, PMTS (Project Management Tracking System), budget formulation, and the indirect budget submission.

Deployment of Customer-Learning Strategies

During the year, several strategies were deployed so that information received from customers could be used as a mechanism for learning and targeting areas to improve. The following table illustrates the effective processes and strategies consistently used to learn from our customers:

CUSTOMER LEARNING STRATEGIES		
FORMAT	PROCESS	STRATEGY
Budget Formulation Kick-Off Meeting	Informational meeting on budget formulation hosted by Budget Office. Customer comments and suggestions solicited.	Information received used to improve future budget formulation processes.
Lessons-Learned Sessions	Reviews of OSTI, budget formulation and year-end close.	Comments and suggestions noted and documented for planned improvements on delivered services.
Ad Hoc Financial Services Meetings	Financial Services addresses pertinent issues on as-needed basis. Discussion and feedback encouraged.	Comments and suggestions received provide opportunity for improvements. Reviewed with management for follow-up.
Informative Presentations	Presentations on OSTI, Institutional Plan and Director's Review provided for internal customers.	Sessions used to solicit customer feedback and suggestions. Reviewed with management for follow-up.
Business Process Reviews and Diagnostic Interviews	Interviews conducted for new PRP (Procurement/Receiving/Payables) system. Comments and suggestions for improvements requested from users and customers.	Valuable data gained from feedback received. Information documented. Used to develop business and system requirements.
Administrative Services Communication Meetings	Bi-weekly meetings provide opportunity to discuss relevant topics and provide customer feedback.	Information gathered used for applicable improvements and follow-up.
Year-end Close Kick-Off	Comprehensive Financial Services presentation on requirements, expectations and timing of fiscal year-end close.	Suggestions and feedback solicited. Used to improve close strategies.
Educational Sessions	Full day internal controls educational session by PricewaterhouseCoopers. Financial Services training on budget formulation, Institutional Plan, PMTS and OSTI.	Educate customers on value of internal controls issues. Customer feedback encouraged. Used to improve future processes.

Customer Feedback Is Used to Improve Products and Services Provided

Access to the Accounts Payable System

As a follow-up to comments and suggestions made in previous years, Financial Services continued to increase the number of customers with read-only access to the Accounts Payable System (APS). This year, the number of users increased by 10%. This allows internal customers to view the status of specific orders, which assists in effective management of their projects. By increasing the number of users, more customers have an additional decision support tool in which to operate effectively.

Reduction of Outstanding Invoices

Process improvements, such as EDI (Electronic Data Interchange), enable the Laboratory to pay invoices in a more efficient and timely manner. This reduces the number of outstanding invoices and increases the level of vendor satisfaction.

Improved Systems

As a result of customer suggestions and proactive measures in Financial Services, the improvement of Laboratory systems in FY 2001 enabled our customers to use enhanced tools for better decision support. Upgrades to current systems have assisted customers in their ability to benefit from systems already in place. Enhanced functionality and reporting capabilities in systems and tools such as PMTS (Project Management Tracking System) and Janus are examples of improvements made as a result of customer feedback.

The current development of the PRP (Procurement/Receiving/Payables) System is an example of a major effort to integrate older systems into a streamlined process for quality internal controls and process efficiencies. Business process reviews and diagnostic interviewing were used to provide the opportunity to use customer feedback to implement improvements for a desired state.

Customer Outreach

Suggestions were offered by customers to increase communication and contact with the programmatic divisions. As a result, a customer outreach effort has been implemented. Whenever possible, staff members from Financial Services meet with their customers to review reports, discuss financial issues, invoke positive business relationships, and work together in a partnership environment.

For example, Financial Services met with representatives from each division to review the rate-restructuring project and obtain feedback. In addition, meetings were held with each division to assist with monitoring the status of their budget and the indirect budget review.

Supporting Data

All supporting data are retained in Financial Services files.

**Objective #1
Criterion 1.2**

Customer Satisfaction: *Improved levels of customer satisfaction.*
(Weight = 5%)

**Objective #1
Criterion 1.2
Performance
Measure 1.2.a**

Customer Satisfaction Results: *Improved levels of customer satisfaction over time.* (Weight = 5%)

Assumption:

Describe most current levels and trends in key measures and/or indicators of customer satisfaction and dissatisfaction.

Gradient:

An "Unsatisfactory" rating is given when no results or negative internal and external customer satisfaction trends are reported

A "Marginal" rating is given when results show early stages of trend development, with only some improvements and/or good performance levels in a few areas. Results are not reported for many to most areas of importance to customers.

A "Good" rating is achieved by demonstrating that internal and external customers are satisfied with the products and services provided.

Factors considered for a higher rating include:

- Demonstrated improved or sustained high levels of customer satisfaction.
- Customer satisfaction is maintained across most customer groups.
- No general dissatisfaction exists with primary products/services provided.

An "Excellent" rating is achieved by demonstrating that current performance is excellent in most areas of importance to the customers' key business requirements. Most improvement trends and/or performance levels are sustained at a very good relative performance level.

An "Outstanding" rating is achieved by demonstrating that current performance is outstanding in most areas of importance to the customers' key business requirements, with outstanding improvement trends and/or sustained outstanding performance levels.

**Performance
Measure Result**

Financial Services was consistent in sustaining a high level of customer satisfaction in the area of education and training, the year-end close, and in providing overall quality customer service.

**Successes/
Shortfalls****Improved or Sustained High Levels of Customer Satisfaction*****Positive Feedback***

Positive feedback received was documented for the following processes or services:

CUSTOMER SATISFACTION RESULTS			
Process, Product or Service	Group Represented	Sample Feedback	General Satisfaction Level
Accounts Payable Survey	Internal customers (certifiers) Outside vendors	Highly professional Excellent service Attentive to customer needs Great relationship	Overall rating was high (4.15 out of 5, or 83% of 100%)
FY 2000 Close	Business and functional managers Program budget analysts Financial support staff Information Technologies & Services Information Systems & Services	Best close ever B&R Status Reports helpful Timely notification of accruals Available for questions Smooth suspense clearing process	Overall positive reactions and feedback
Institutional Plan	Internal customers from Directorate	Good tables Report is amazing Will provide supporting documentation needed May eliminate extra work Variance analysis reports very helpful	Very high
Internal Controls Seminar	Senior management Business and functional managers Program budget analysts Financial support personnel Human Resources Information Systems & Services Internal Audit staff	Positive responses to the PricewaterhouseCoopers seminar	Very high
Peer Review	Division Directors Business managers Functional managers Financial support personnel	Very informative Provide an extra session Proud to be an FSD employee	Very high Appreciated the information provided Acknowledged efforts to keep employees informed

Formal Customer Survey

In the Second Quarter, Financial Services conducted a customer survey of Accounts Payable to assess the level of satisfaction and identify areas for improvement. Comments and suggestions were encouraged with the option of remaining anonymous.

Both internal and external customer groups were surveyed. A random sampling of certifiers (internal) and vendors (external) were contacted. (Certifiers are Laboratory employees that verify the accuracy of an invoice for goods and services provided for their area.)

A total of 60 customers were contacted, and 47 responded. Accounts Payable received an average of 4.15 out of 5.0 (83% of 100%). The following is a summary of the results:

Certifiers		+	Vendors		=	Overall Ratings	
Respondents	16		Respondents	31		Respondents	47
Possible points	80		Possible points	155		Possible points	235
Actual points	63		Actual points	132		Actual points	195
% of 100	78.8%		% of 100	85.2%		% of 100	83.0%
Average	3.94		Average	4.26		Average	4.15

Criteria	Yes	No
<u>Certifiers</u>		
Charged to correct project	97%	3%
Contact necessary	44%	56%
Questions satisfactorily answered	94%	6%
Staff professional & courteous	91%	9%
Staff helpful	100%	0%
<u>Vendors</u>		
Paid on time	85%	15%
Contact necessary	42%	58%
Questions satisfactorily answered	65%	35%
Staff professional & courteous	100%	0%
Staff helpful	93%	7%

Comments received were documented and reviewed by the Accounts Payable manager and staff for applicable follow-up. The following are examples of the types of comments and suggestions provided:

Positive

- Extremely helpful
- Excellent service
- Especially attentive to customer needs
- Highly professional staff
- Great relationship

Suggestions for Improvements

- Provide updates on staff changes (contact list)
- Streamline process
- Evaluate processes and pathways
- System incompatibilities

- Negative experience with temporary staff
- Difficult-to-match projects and payments
- Problems removing old liens

As a result of customer suggestions, steps were taken to implement improvements where applicable. For example, the Accounts Payable Web page was updated to include an interactive contact list so customers can access current staff information. In addition, Accounts Payable system upgrades are currently under development.

Customer Outreach

Financial Services received encouraging comments for their efforts to communicate with customers in the programmatic divisions. For example, assisting the divisions with their budgets and the indirect budget review submission prompted positive verbal and written observations.

MSAP

In FY 1999, a Financial Services manager was selected to participate in the University of California–sponsored MSAP (Management Self-Assessment Program). Since then, the manager continues to actively maintain contact with the University of California and MSAP participants to promote managerial growth, advancement, and to serve as a mentor. This is another example of efforts to provide service to our University of California customers and foster community involvement. Financial Services received positive feedback for the support and mentoring effort on behalf of the Laboratory.

Customer Service Award

A spot award was presented to an Accounts Payable employee for outstanding customer service. This is particularly significant because the award was presented by the customer (i.e., programmatic division).

Supporting Data

All supporting data are retained in Financial Services files.

**Performance
Objective #2**

Decision Support and Operational Effectiveness: *Provide business information, expertise, analysis, and tools to enable effective managerial decision making and achieve cost-effective and efficient Financial Management operations.*
(Weight = 40%)

Summary

The continued use of improved systems, upgraded technology, and the enhanced focus on education and development have all contributed to the effort to provide effective decision support for our customers.

**Objective #2
Criterion 2.1**

Proactive Decision Support Activities: *Provide decision-support products, services, processes, and systems that promote effective managerial decisions.*
(Weight = 25%)

**Objective #2
Criterion 2.1
Performance
Measure 2.1.a**

Quality Products and Services: *Budgets and financial reports and information, analyses, estimates, and proposals submitted are evaluated for timeliness, accuracy, completeness, usefulness, clarity, and added value to decisionmaking.*
(Weight = 8%)

**Objective #2
Criterion 2.1.a
Performance
Measure 2.1.a.1**
Routine Reports
Assumptions:

The annual budget deliverables and internal and external standard periodic reports and analyses are measured for timeliness, accuracy, completeness, usefulness, clarity, and added value to decision making. The Laboratory and DOE identify key internal and external periodic reports and analyses that are measured and documented as a Protocol by October 1, 2000. During the year, additional reports may be jointly agreed to as necessary. A narrative is provided to describe the products and services selected, continuous improvements, internal processes used for validation, and proactive activities related to this Performance Measure.

Gradient:

An "Unsatisfactory" rating is given when no results or poor results with respect to both timeliness and quality of products and services are reported.

A "Marginal" rating is given when results (1) trend toward less timely performance rates, (2) are inconsistent, and/or (3) demonstrate a lack of effective decision support to management.

A "Good" rating is achieved by meeting customer, needs and due dates for the products and services provided.

Factors considered for a higher rating include:

- Proactive activities such as training and development of Financial Management's staff and customers, and coordination with other divisions/organizations to address financial concerns.
- Good customer feedback, level of recognition, and other relevant information.
- Early submission of accurate and complete reports as identified.
- High-quality information, provided to management to make effective decisions.
- Demonstrated degree of influence on outcomes.
- Scope and degree of impact.

An “Excellent” rating is achieved by demonstrating improvement trends and/or performance levels that are sustained at high levels in some areas.

An “Outstanding” rating is achieved by demonstrating improvement trends and/or sustained outstanding performance levels in most areas. Quality is high in most areas of importance to the customers’ key business requirements.

**Performance
Measure Result**

Reports, analyses, and management tools are provided to customers on a timely basis to assist in quality decisions for sound financial practices.

**Successes/
Shortfalls****Training and Development of Financial Management’s
Staff and Customers**

Proactive measures were taken so that staff and customers could benefit from education made available throughout the year. Financial Services places a high priority on employee development (frequently communicated to staff) to ensure quality decision support for the Laboratory’s scientific community. The following are some of the courses provided. In most cases, instructional materials are available on the Web for easy access.

- Budget Formulation
- Business Process Mapping
- Customer Service
- Diagnostic Interviewing
- Dreamweaver (Web development)
- Grammar and Proofreading
- Excel
- FilemakerPro
- Internal Controls
- Janus
- nVision
- PMTS (Project Management Tracking System)
- Project Setup
- Query
- Resource Adjustments
- Sales and Use Tax
- Time Management

Coordination with Other Divisions/Organizations to Address Financial Concerns

The Laboratory partnered with other laboratories to address relevant financial issues. For example, FMSIC (Financial Management Systems Improvement Council) meetings were attended by Laboratory management during the year. FMSIC was created to share information and address improvements in financial systems, policies, and procedures, and to gain efficiencies in budget and accounting processes.

Berkeley Lab participated in the annual DOE National Laboratories Budget Officers' Workshop to discuss process improvements and effective financial management operations with other DOE laboratories. Berkeley Lab also hosted several meetings with Los Alamos National Laboratory to review the evolution of Berkeley Lab's financial systems.

Financial Services also developed partnerships with other departments and divisions to address systemic priorities at the Laboratory. A new focus group, ECSC (Enterprise Computing Steering Committee), was formed to discuss relevant computing issues, prioritize efforts to integrate processes, implement improvements, and develop new systems. Members include senior operations management, the Chief Financial Officer, the Division Director for Information Technologies and Services, the head of the Administrative Services Department, and the Internal Audit Manager.

Financial matters were also discussed and evaluated in collaboration with internal departments, such as Administrative Services, Information Systems and Services, and Information Technologies and Services. In addition, the Chief Financial Officer met regularly with division directors to discuss financial issues applicable to the Laboratory's operations.

To actively seek opportunities, strategies, and applications for new business system architectures, the Laboratory collaborated with the University of California Office of the President, several University of California campuses, Lawrence Livermore National Laboratory, and Los Alamos National Laboratory. This was executed through a joint membership in the University of California Associate/Assistant Vice Chancellors Business Forum.

The Laboratory also actively participated in the UCLAO (University of California Laboratory Administration Office) Tri-Lab Study for "Centers of Excellence." This initiative is the result of a request made by General Gordon of NNSA (National Nuclear Security Administration) to evaluate opportunities for cost economies and operational efficiencies. Evaluation teams were formed from UCLAO, Lawrence Livermore National Laboratory, Los Alamos National Laboratory, and Lawrence Berkeley National Laboratory to conduct an in-depth analysis of possible areas of collaboration and consolidation of systems and services provided.

Positive Customer Feedback

Positive feedback was received from DOE for the timely submission of routine reports. Laboratory senior management also expressed appreciation for the quality of reports and analyses received.

Early Submission of Accurate and Complete Reports

Financial Services provided DOE with quality budget and financial reports. The total number of routine reports submitted for the year was 73 (excluding Work Authorization Statements). Of this total, 56% were submitted early, 41% were submitted on time, and 3% were late. The following table illustrates the number of reports submitted:

<i>Submitted</i>	<i>Number of Routine or Periodic Reports or Requests</i>	<i>Percent</i>
<i>On Time</i>	30	41%
<i>Early</i>	41	56%
<i>Late</i>	2	3%
Total	73	100%

Examples of some of the reports submitted on time or early include:

- Allocation of Headcount by Program
- Annual Financial Management Systems Plan
- Credit Bureau Reporting
- FY-2002 Field Budget Submission
- MARS Submission
- Quarterly Aging Reports
- Quarterly Personal Property Sales Report
- Technology Transfer Crosscut

High Quality of Information Provided to Management

Numerous reports were prepared and submitted to our customers to provide high quality data for effective financial decisions. The ability to successfully manage operations at the Laboratory was influenced by the scope of financial information provided in these reports. The following are examples of reports prepared on time or early with a demonstrated degree of influence.

B&R Status Report

The *B&R Status Report* displays costs and commitments for B&R (Budget and Reporting) categories for each division at the Laboratory. It provides data on funding guidance and variances useful as a decision-support tool. The report is published on the Web and is updated semi-monthly, subsequent to each final soft close. In addition, funding guidance changes are promptly republished on the Web. Customers are notified by e-mail when a change occurs, and the link to the Web site is included.

Contractor Travel Report (for DOE)

This report is prepared quarterly for DOE. It is part of the DOE Travel Tracking System developed to track cumulative annual costs against established targets.

Delinquent Federal Receivables

This is a quarterly report that is submitted to DOE as a supplement of the accounts receivable report. The information is used to monitor the source, amount, and age of outstanding federal receivables. The specifics provided in this report are used in managing collection efforts of delinquent debts.

Delivered Labor Analysis Report

This report is prepared each month to compare current and prior year costs for delivered labor at the Laboratory. (Delivered labor is defined as actual hours worked.) The report is valuable in determining the indirect recovery forecast based upon current labor trends and is used by senior management as a tool in making effective decisions.

Employed FTE Report

Each month, Financial Services prepares and submits this report detailing the number of full-time equivalents for each research division at the Laboratory. The report is used to identify and confirm labor trends and has significant relevance in developing the forecast of the indirect recovery each month. Senior management uses this information to determine the Laboratory's indirect funding allocations.

Field Budget Submission

The annual field budget submission is a comprehensive summary of the proposed scope of work to be performed by each scientific program. Objectives and funding requests for future years are incorporated into the report. It is prepared in collaboration with the programmatic divisions.

Functional Support Cost Report

This report provides a summary of the total Laboratory costs by categories (direct, indirect, capital, and construction). It also provides a comparison of current year costs and projections for the following year against actuals for the past five years. The *Functional Support Cost Report* presents quality information that enables DOE and Congress to make strategic operational decisions in support of scientific research. Financial Services received positive comments from the DOE field office, citing a report that was well organized and easy to follow.

Institutional Plan

The *Institutional Plan* is an annual report that supports DOE's mission and programs and is part of their strategic management planning activities. This document is required by DOE and displays funding and personnel projections for the current year and the subsequent five-year period. Financial Services prepares the data tables for the Institutional Plan by consolidating projection information submitted by the divisions. It is also available on the Laboratory's Publications Web site.

LDRD Cost Report

The *LDRD (Laboratory Directed Research and Development) Cost Report* is prepared on a monthly basis for the programmatic divisions. It is an internal report that details funding and costs for all LDRD programs at the Laboratory. The report is used to effectively track costs against funding.

Management Report

This comprehensive report is prepared by the divisions and consolidated by Financial Services for senior management on a regularly scheduled basis. It is considered a key decision support tool in forecasting Laboratory costs and recoveries. It also enables the appropriate utilization of indirect dollars in support of the Laboratory's management and administrative activities.

MARS Report

This is a detailed report of the status of costs and funding required by DOE at the end of each monthly close. The *MARS (Management Analysis and Reporting System) Report* was consistently submitted early each month.

OSTI Database Submission

The OSTI (Office of Scientific Technology Industries) database submission reflects Laboratory research and development costs, and is submitted to DOE annually. The report is useful to DOE in tracking funding and costs within each scientific area and is available on the DOE Web site.

Quarterly Letter of Credit Report

The *Quarterly Letter of Credit Report* is submitted to DOE each quarter. It reflects the daily analysis in General Accounting of monies required in the vendor bank accounts to ensure that the vendor bank balance is managed as close to zero as possible.

Technology Transfer Cost Report

This internal report is prepared monthly for the programmatic divisions. It reflects funding against costs for all Technology Transfer projects at the Laboratory.

Technology Transfer Crosscut

This report is required by the Federal Office of Management and Budget. It displays specific costs for the Laboratory's partnerships and CRADAs (Collaborative Research and Development Activities).

Travel Report (Internal)

This report is submitted to Laboratory management on a monthly basis and captures travel costs compared to established targets by division. It is used to effectively track travel expenses and has significant impact in managing required travel guidelines.

In addition, several crosscuts of the Travel Report are available on the Web from the IRIS (Integrated Reporting and Information System) Data Warehouse. Information such as costs by employee, project, costs with targets, and costs by the DOE Assistant Secretary are easily accessed. The availability of current travel reports provides customers with the benefit of tracking costs against targeted guidelines.

Uncosted Balances Report

This annual report for DOE displays uncosted funding balances by each program. It is used as another managerial tool for decision support.

Web Reporting

The Web was used to communicate applicable financial management information. The following are examples of types of information made available to our customers:

- Appendix F ratings
- Budget calls
- “Cookbook”
 - Rate management
 - Indirect cost pools and distribution bases
 - Project costing information
 - Disclosure statement
- Financial closing schedule
- Financial Services contact list
- IRIS (Integrated Reporting and Information System) financial reports
- Policies (Cost Accounting Standards, fabrication, recharge)
- Education and training classes
- Travel cost reports and guidelines

Work for Others Contract Modification

A Contract Modification Request for Work for Others Report is submitted to DOE twice per month. In order to perform work for other federal agencies or commercial entities, DOE requires the Laboratory to formally request modifications to Contract 98. A Work for Others Tracking Report is also prepared internally in an effort to effectively monitor Laboratory contract modification funding.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.1.a
Performance
Measure 2.1.a.2

Ad Hoc Requests

Assumptions:

The measurement includes internal and external ad hoc requests regarding budgets, financial information, analyses, estimates, and proposals submitted and proactive analyses and reports for executive and operational use. Products and services provided are measured for timeliness, accuracy, completeness, usefulness, clarity, and added value to decision making.

Gradient:

An "Unsatisfactory" rating is given when no results or poor results with respect to both timeliness and quality of products and services are reported.

A "Marginal" rating is given when results (1) trend toward less timely performance rates, (2) are inconsistent, and/or (3) demonstrate a lack of effective decision support to management.

A "Good" rating is achieved by meeting customer needs with a 90% on-time performance for ad hoc requests.

Factors considered for a higher rating include:

- On-time performance greater than 90% for ad hoc requests.
- Good customer feedback, level of recognition, and other relevant information.
- Handling a higher volume or more complex requests.
- Proactive activities such as training and development of Financial Management's staff and customers and coordination with other divisions/ organizations to address financial concerns.
- High-quality, useful information provided to management to make effective decisions.
- Demonstrated degree of influence on outcomes.
- Scope and degree of impact.
- Proactiveness of providing analysis and reports for executive and operational use and DOE initiatives.

An "Excellent" rating is achieved by demonstrating that current performance is on time or early more than 90% of the time, and quality and usefulness are high in some areas of importance to the customers' key business requirements. Improvement trends and/or high performance levels are sustained in some areas.

An "Outstanding" rating is achieved by demonstrating that current performance is on time or early more than 95% of the time, and quality and usefulness are high in most areas of importance to the customers' key business requirements. Improvement trends and/or high performance levels are sustained in most areas. Significant impact on management decisions and effective analysis are demonstrated.

**Performance
Measure Result**

Reports, analyses, and management tools are provided to customers on a timely basis to assist in quality decisions for sound financial practices.

**Successes/
Shortfalls****On-Time Performance Greater Than 95%**

Performance in this area resulted in 100% of ad hoc reports submitted early or on time. The total number of documented ad hoc requests for the year is 48. Of those, 29% were submitted early, and 71% were submitted on time. There were no late responses.

<i>Submitted</i>	<i>Number of Ad Hoc Reports or Requests</i>	<i>Percent</i>
<i>On Time</i>	34	71%
<i>Early</i>	14	29%
<i>Late</i>	0	0%
Total	48	100%

Handling a Higher Volume of More Complex Requests

Financial Service responded to various ad hoc requests for complex reports, information, analysis, and research. The effort made to respond to these request in a timely manner was validated by the positive feedback received. The following are examples of types of ad hoc requests prepared and submitted to our customers:

- Direct cost multiplier data for Argonne National Laboratory
- NN20 funding data
- Projected headcount by program
- Travel report by LDRD and non-LDRD
- Travel target report

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.1
Performance
Measure 2.1.b

Leadership in Financial Information Systems and Decision-Support Tools:

Proactive leadership in improving financial information systems and decision-support tools in support of DOE and Laboratory initiatives. (Weight = 12%)

Assumptions:

A narrative is provided to describe the Laboratory's progress in support of this criterion to include the Financial Management Systems (FMS) plan and new or improved planning and/or decision-support tools.

Gradient:

An "Unsatisfactory" rating is given when no results or poor results are provided.

A "Marginal" rating is given when only minor performance improvements are shown, results are inconsistent, and/or results demonstrate a lack of effective decision support to management and/or do not comply with DOE requirements.

Factors considered for a "Good" rating include:

- Timeliness of the FMS plan with acceptable quality as determined by customer feedback.
- Direction of efforts at initiatives with the most value added.
- Involvement in DOE's initiatives.
- Progress toward short-term initiatives.
- Demonstrated initiatives that improve decision-support capabilities.

Factors considered for a higher rating include:

- Progress toward long-term initiatives.
- Proactiveness in seeking opportunities for supporting DOE initiatives.
- Improved capacities, capabilities, and/or cost efficiencies for other financial processes not addressed in Performance Measure 2.2.
- Positive customer feedback.
- Demonstrated advances in quality, accuracy, reliability, and usefulness of financial systems and decision-support tools.
- Demonstrated degree of influence on outcomes.
- Scope and degree of impact.

An "Excellent" rating is achieved by demonstrating (1) progress toward improving financial systems and/or decision-support tools and long-term initiatives in most areas of importance to the customers' key business requirements and (2) proactiveness in supporting DOE initiatives.

An "Outstanding" rating is achieved by demonstrating improved capacities, capabilities, and/or cost efficiencies of financial information systems and/or decision-support tools that are areas of importance to the customers' key business requirements. The financial systems and/or decision-support tool improvements are linked to outcomes, results, and/or the degree of influence or impact on decisionmaking.

**Performance
Measure Result**

The Laboratory initiated significant efforts in providing system analysis, improvements, and upgrades for quality decision support.

**Successes /
Shortfalls**

The following list summarizes significant accomplishments in the effort to support system improvements:

- Major Projects
 - PRP (Procurement/Receiving/Payables)
 - Grants System
 - FMS (Financial Management System) Utilization Analysis
- Enhancements and Upgrades
 - BAR (Billing and Accounts Receivable) System
 - EDI (Electronic Data Interchange) Contract System
 - IRIS (Integrated Reporting and Information System) Data Warehouse
 - Janus (budgeting tool)
 - PMTS (Project Management Tracking System)

**Timeliness of the Financial Management Systems Plan
with Acceptable Quality Determined by Customer Feedback**

The Laboratory received written commendation from DOE for the timely submission and excellent quality of the FY-2001 Financial Management Systems Plan. Of particular note was the expansion of the original Accounts Payable System to include Procurement and Receiving. Financial Services was praised for re-evaluating system processes, controls, and comparability prior to implementation. In addition, the decision to replace the SPPT (Sponsored Proposal/Projects Tracking) System with a new PeopleSoft Grants System was viewed as an important area in which to focus.

Efforts Directed at the Most Value-added Initiatives

The Laboratory, with the assistance of PricewaterhouseCoopers, proactively initiated a major effort to integrate the operational processes of Procurement, Receiving, and Payables to improve their capabilities. The PRP System project is directed at developing a system with a seamless interface of the three modules resulting in a streamlined, cost-effective, and compliant operation. An operational review of processes and controls was conducted. Core processes, risk controls, and best practices were evaluated and documented.

Financial Services also engaged PricewaterhouseCoopers in a management training effort to effectively assess and recommend value-added improvements for the new system. Special emphasis was placed on the following key components:

- Internal controls
- Diagnostic interviewing
- Business process mapping
- Risk-control assessment

This project is currently in process, and a concerted effort is being made to implement significant improvements to accomplish the goals and objectives of the new system. Implementation is projected for June 2002.

Financial Management Systems Utilization Analysis

A consultant was hired to evaluate current PeopleSoft financial management business systems and processes at the Laboratory. The goal of the review is to recommend improvements for systemwide manageability, effectiveness, and efficiency. The establishment of the following four essential items was recommended as a preliminary step to completion of the evaluation:

- Business and technical documentation
- Establishment of controls
- Identification of roles and responsibilities
- Development of policies and procedures

Involvement in DOE's Initiatives

Travel Tracking System

The Contractor Travel Report was developed last year as part of the DOE Travel Tracking System. It is a quarterly report that displays annual travel costs compared to established targets. The Laboratory continues to submit an updated report to DOE on time, recognizing the value of the ability to monitor trends to control travel costs.

Progress towards Short-term Initiatives

Billing and Accounts Receivable System (BAR)

Enhancements to the BAR System in FY 2001 include the development of new reports or edit processes to assist with managing BAR transactions and the accuracy of user-defined control table data. In addition, minor system glitches were corrected.

IRIS Version 2

The Laboratory introduced major improvements to the IRIS Data Warehouse on the Web. IRIS Version 2 has a new Web site for accessing institutional financial and administrative data and reports, replacing the original IRIS and the IRIS Web Subscription. IRIS Version 2 is a functional superset of these previous systems, with many new features to make navigating and reporting easier, while incorporating appropriate controls. Some of the new features include:

- Reporting capability for the Janus budgeting tool
- Cost browser function accessible via a secure password authentication
- Addition of new reports

Janus Budgeting Tool

Improvements to features in Janus were made in FY 2001. The following highlight some of the major upgrades:

- Forecast budget functionality
- Historical data available in multiyear forecasts
- Capacity to change dates
- Sort feature
- Displays several different views
- Capability of printing in color
- Add/edit functionality on annual views

Project Management Tracking System (PMTS)

System improvements this year included enhancements to PMTS. The following modifications were made:

- Screens more user-friendly
- Separate screens created for OSTI (Office of Science and Technology Information) and budget formulation
- Data export process is more efficient
- New reports available
- Institution Plan included
- Budget reports available
- B&R/Headquarter reference database

EDI Contract System

The continued use of the Web-based EDI (Electronic Data Interchange) Contract System contributes to increased process efficiencies at the Laboratory. EDI enables the end user to interface directly with the supplier.

With EDI, the Laboratory is able to electronically capture invoice data on a high volume of transactions. This significantly reduces the number of manual data entries and payments while providing more accurate and complete invoice information. The Laboratory increased the annual number of invoices paid through EDI from last year by approximately 101% (from 14,395 to 28,903).

Potential new vendors are required to pass a trial test period, which signifies error-free transmissions for two consecutive months. If successful, these vendors are added to the system.

Progress towards Long-term Initiatives

PRP System

Financial Services initiated a major project to develop a PRP (Procurement, Receiving, and Payables) system that will streamline processing, provide quality internal controls, and improve operational efficiency. The PRP System will combine three separate processes into a single integrated solution. As mentioned previously, PricewaterhouseCoopers Assisted the Laboratory in performing an operational review and needs assessment of the three modules to be integrated into the new system. Phase I is planned for completion in the First Quarter of FY 2003.

Grants System

A new Grants System is also being developed to replace the current SPPT (Sponsored Proposal/Project Tracking) System, established in 1987. The Grants System will provide real-time, online tracking for proposals and awards from proposal to closeout; and will streamline the development and administration of resource projects at the Laboratory. It is anticipated that the first phase of the Grants System will be operational in the Second Quarter of FY 2002, and further developments are scheduled for FY 2003.

Travel System

In the Second Quarter, a market survey was completed to review current travel systems and their potential application for the Laboratory's needs. However, to date the implementation of a new travel system has been put on hold due to funding constraints. (Use of the Extensity travel system was also suspended pending Extensity's ability accommodate new federal regulations and to meet the needs of the Laboratory.)

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.1
Performance
Measure 2.1.c

Quality Processes: *Evaluation of decision-support processes for effectiveness in achieving outcomes and results. Showcase areas of excellence. (Weight = 5%)*

Assumptions:

A narrative is provided to describe how the processes add value, and are timely, usable, and accessible. Areas to be showcased include Financial Management planning and execution processes in support of:

- Laboratory-wide federal budget development
- Institutional budget development and forecasting (direct and indirect)
- Workforce planning
- Ad hoc analyses.

Gradient:

An “Unsatisfactory” rating is given if no results or poor results are reported.

A “Marginal” rating is given when results (1) demonstrate inconsistency, (2) demonstrate a lack of effective decision support to management, and/or (3) do not comply with DOE requirements.

Factors considered to achieve a “Good” rating include:

- Evidence that established processes are available to impact decisions.
- Efforts are directed at initiatives with the most value added.
- Processes ensure timeliness.

Factors considered for a higher rating include:

- Proactiveness in seeking opportunities for supporting DOE and Laboratory initiatives on decision making.
- Demonstration of progress toward long-term initiatives.
- Demonstration of process improvements.
- Positive customer feedback, level of recognition, and other relevant information.
- Demonstration of progress toward effectiveness and efficiency.
- Demonstration of degree of influence on outcomes.
- Scope and degree of impact.

An “Excellent” rating is achieved by demonstrating (1) progress toward decision-support process improvements and long-term initiatives that are areas of importance to the customers’ key business requirement and (2) proactiveness in supporting DOE initiatives.

An “Outstanding” rating is achieved by demonstrating improved capacities, capabilities, and/or cost efficiencies of decision-support processes that are areas of importance to customers’ key business requirements. The decision-process improvements are linked to outcomes, results, and/or the degree of influence or impact on decision making. Sound systematic approaches to supporting management’s decision-making activities are demonstrated with strong fact-based analysis. Improvement processes and strong learning and sharing tools are extensively deployed.

**Performance
Measure Result**

Financial Services provides quality planning, decision-support tools, and analysis that are accessible to customers and useful in developing Laboratory budgets and decision-making initiatives.

**Successes/
Shortfalls****Labwide Federal Budget Development**

Financial Services continued to utilize PMTS (Project Management Tracking System) in the development of the federal budget submission process. PMTS significantly changed the data collection process and facilitated the timely submission of the budget this year. The ability of our customers to submit budget information by using a centralized system enabled Financial Services to execute the budget submission process more efficiently.

Institutional Budget Development and Forecasting (Direct and Indirect)

The indirect institutional FY-2002 budget development process uses Janus, the Laboratory's budget development tool. This is the first institutional budget developed using Janus, which provides accurate and timely budget and forecasting data that supports quality decisions. It has been an effective system improvement in which multiyear budgets can be developed using a centralized system. Janus allows for true zero-based budgeting and provides actual-versus-budget reporting through IRIS (Integrated Reporting and Information System).

The *Institutional Plan* was developed for FY 2001 and five subsequent years. It provided spending projections for projects within each directorate. The Institutional Plan is submitted to DOE and is used as a key budgeting tool in planning and forecasting. The Laboratory Directorate was particularly appreciative of the information supplied in the report, as it provided a useful mechanism in which to determine spending projections for future years.

Direct spending at the Laboratory is estimated using the *Management Report*. This report consolidates information from each programmatic Division and summarizes the data to display total expected spending levels at the Laboratory. There has been added emphasis on variance analysis from this report to improve the quality of the forecasts provided to senior management.

Director's Budget Review

In the Third Quarter, Financial Services coordinated the annual Director's Budget Review. The programmatic divisions submitted comprehensive data to Financial Services for consolidation of the review materials. Each division presented current programs, new initiatives, and spending plans for FY 2002. The Laboratory Director, Deputy Director for Operations, Division Directors, Senior Managers, Business Managers, functional managers, and key budget personnel attended the review, which was conducted over a three-day period. It provided a strong foundation for cost estimates and enhanced financial decision support for Laboratory management.

Workforce Planning

The expanded use of HRIS (Human Resource Information System) applications facilitated improved workforce planning at the Laboratory. Educational development and training requirements can be tracked and forecasted for effective workforce planning. Moreover, the use of budgeting tools such as Janus (which interfaces with HRIS) and the Financial Management System enables the Laboratory to project labor and employee development costs, which is an essential element in establishing departmental hiring practices.

Ad Hoc Analyses

As part of providing effective decision support, Financial Services is frequently asked to supply data and analyses on an ad hoc basis. The use of sound decision-support processes, such as improved technology and systems, resulted in the provision of quality data and analyses for both internal and external customers.

Proactiveness in Seeking Opportunities for Supporting DOE and Laboratory Initiatives on Decision-Making

The Laboratory continued its proactive efforts in developing improved methods and new opportunities for quality decision-support initiatives. The following outcomes indicate performance results in this area:

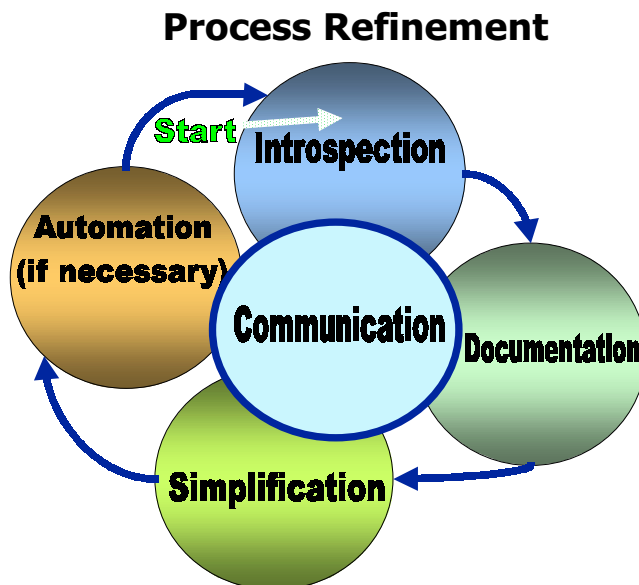
Internal Controls Seminar

Financial Services presented a full-day seminar on internal controls in collaboration with the University of California and PricewaterhouseCoopers. Several departments were invited to participate, such as the programmatic divisions, Internal Audit, Administrative Services, Human Resources, Travel, and Information Systems and Services. Members of DOE were also present. The seminar provided useful insight, guidelines, methodologies, and reference materials in which to improve the

process of internal controls and compliance. Comments from attendees were positive, noting that the training provided effective tools in which to implement value-added processes and improve decision support.

Business Process Mapping

To successfully integrate improvements to the new PRP (Procurement/Receiving/Payables) System, PricewaterhouseCoopers was invited to conduct a series of educational sessions for management and staff on effective project management, business process mapping, and risk-control assessment. This enabled employees to systematically plan, analyze, and determine which processes should be changed or improved for sound business processing and integration into the new PRP System. The following illustrates the mapping sequence used to assess applicable process modifications.



Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2

Transaction Processing Improvements: *Reduce cycle times and/or costs.*
(Weight = 15%)

Objective #2
Criterion 2.2
Performance
Measure 2.2.a

Demonstration of Improvement: *Evaluation of improvement trends for processes selected for improvement toward best practices as compared with benchmarking information. Showcase areas of excellence.* **(Weight = 15%)**

Assumptions:

The Laboratory's finance and budget organizations conduct benchmarking studies every two years. The Laboratory analyzes the benchmarking results and selects processes to be measured and improved before the next benchmarking study. The Laboratory presents its study findings and areas selected for improvement to DOE and UC for concurrence. Additional improvement processes may be selected in conjunction with DOE and UC. The Laboratory also uses the benchmarking information to select and demonstrate areas of excellence to feature in its self-assessment. Where necessary and appropriate, benchmarking measures are augmented with qualitative information and other performance indicators for the selected processes. The selected processes are measured and featured in the annual self-assessments, using a gauge-reporting model during the two years between benchmarking studies.

Gradients:

Gradients are shown for each submeasure in this Performance Measure.

Performance
Measure Result

Performance for the following activities was measured according to the ranges (gradients) established in the gauge-reporting model discussed above. The Laboratory achieved excellent results in the performance of this transactional process.

Individual results are presented for each submeasure on the following pages.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.1

Accounts Payable (Weight = 6%)

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.1.a

Percentage of Discount Dollars Taken (Weight = 2%)

Gradient:

Unsatisfactory: 63.50% or less

Marginal: 63.51% – 72.60%

Good: 72.61% – 81.70%

Excellent: 81.71% – 90.80%

Outstanding: 90.81% or more

**Performance
Measure Result**

Criteria:

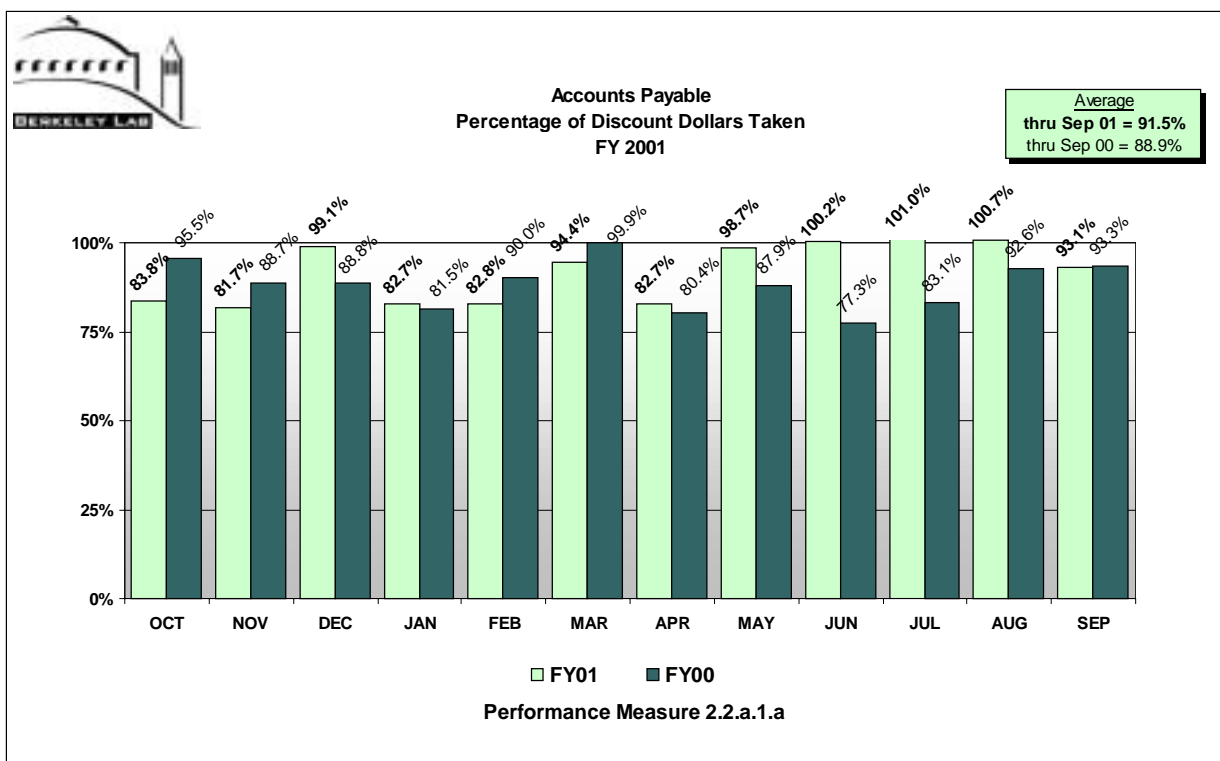
The following was used to track and calculate monthly performance:

- Discounts Taken Report from Accounts Payable

Assumptions:

- All efforts are made to capture all discounts offered.

Through September, an average of **91.5%** of available discounts were taken, earning an Outstanding rating.



The average percentage of available discounts taken (October through September) was **91.5%**, compared to 88.9% for the same period in FY 2000. Financial Services earned a performance rating of Outstanding in this area.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.1.b

**Percentage of Vendor Payments Made According to Order Terms
(Weight = 2%)**

Gradient:

Unsatisfactory: 67.99% or less

Marginal: 68.00% – 75.99%

Good: 76.00% – 83.99%

Excellent: 84.00% – 91.99%

Outstanding: 92.00% or more

**Performance
Measure Result**

Criteria:

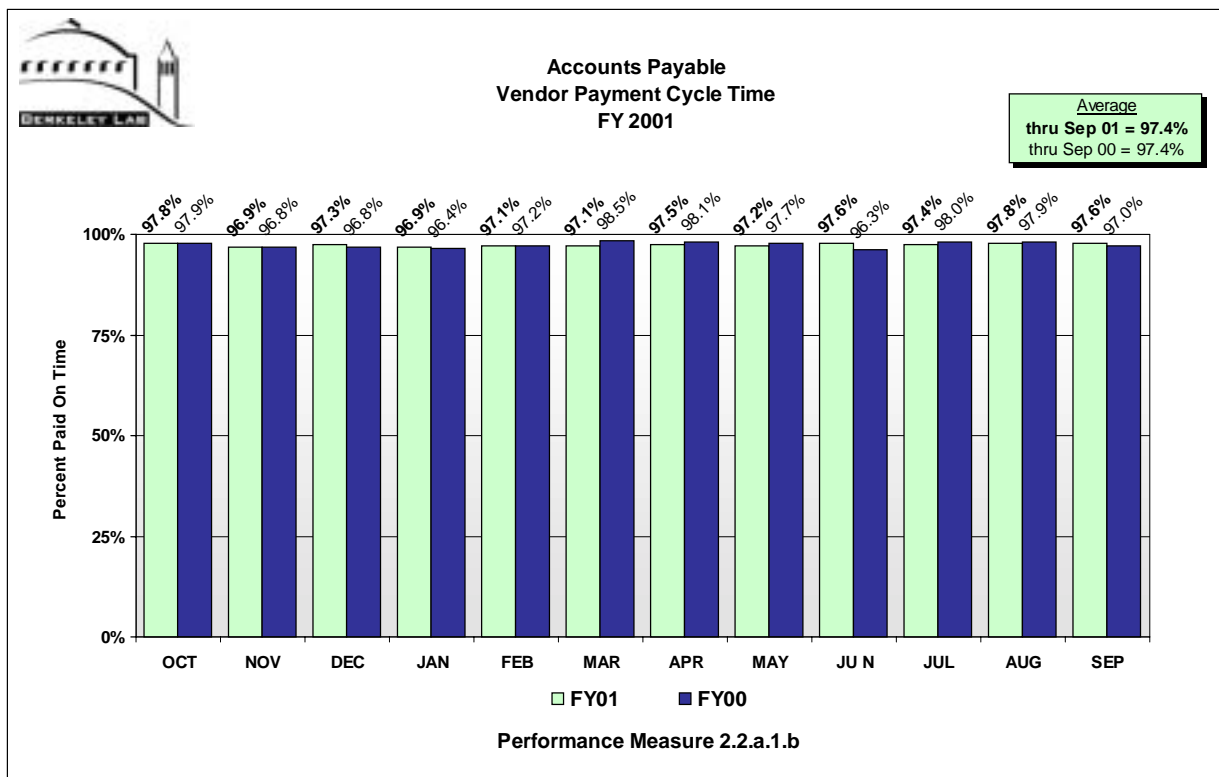
The following was used to track and calculate monthly performance:

- Invoice Transaction Report from Accounts Payable

Assumptions:

- All efforts are made to make all payments according to order terms.

Through September, the average percentage of vendor payments made according to order terms was **97.4%**, which earned a score of Outstanding.



The cycle time for vendor payments made according to order terms scored in the range of Outstanding this year. The average percentage of vendor payments made on time from October through September was **97.4%**, which was equal to the same period in FY 2000.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.1.c

Cost Per Transaction (Number of Invoice Lines) (Weight = 2%)

Gradient:

Unsatisfactory: \$7.47 or more

Marginal: \$6.57 – \$7.46

Good: \$5.67 – \$6.56

Excellent: \$4.77 – \$5.66

Outstanding: \$4.76 or less

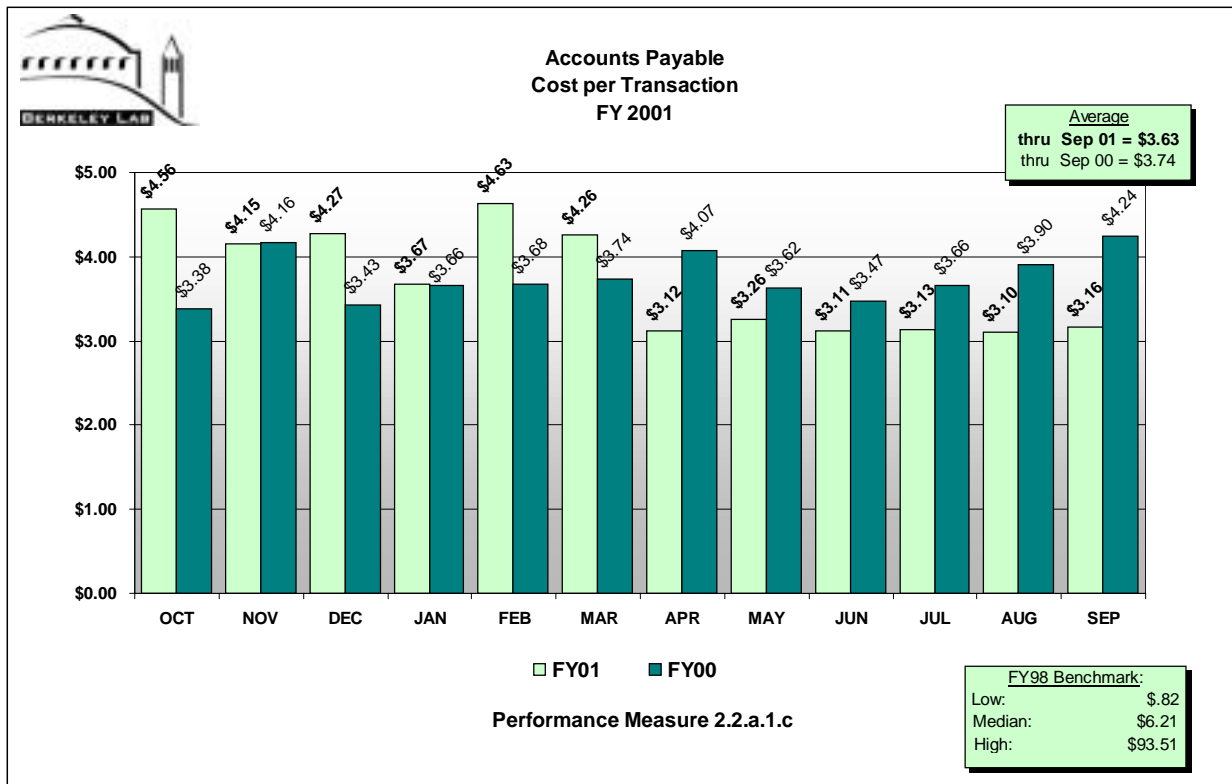
**Performance
Measure Result**

Criteria:

The following criteria were used to calculate and track monthly performance:

- IMA FY-1998 benchmarking criteria

The average cost per invoice line through September was **\$3.63**, which earned an Outstanding score.



The average cost per transaction through September was **\$3.63**, compared to \$3.74 in FY 2000, which earned an Outstanding rating.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.2

Payroll (Weight = 4%)

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.2.a

Cost Per Payroll Check or Notice Issued (Weight = 2%)

Gradient:

Unsatisfactory: \$6.89 or more

Marginal: \$6.27 – \$6.88

Good: \$5.65 – \$6.26

Excellent: \$5.02 – \$5.64

Outstanding: \$5.01 or less

Performance
Measure Result

Criteria:

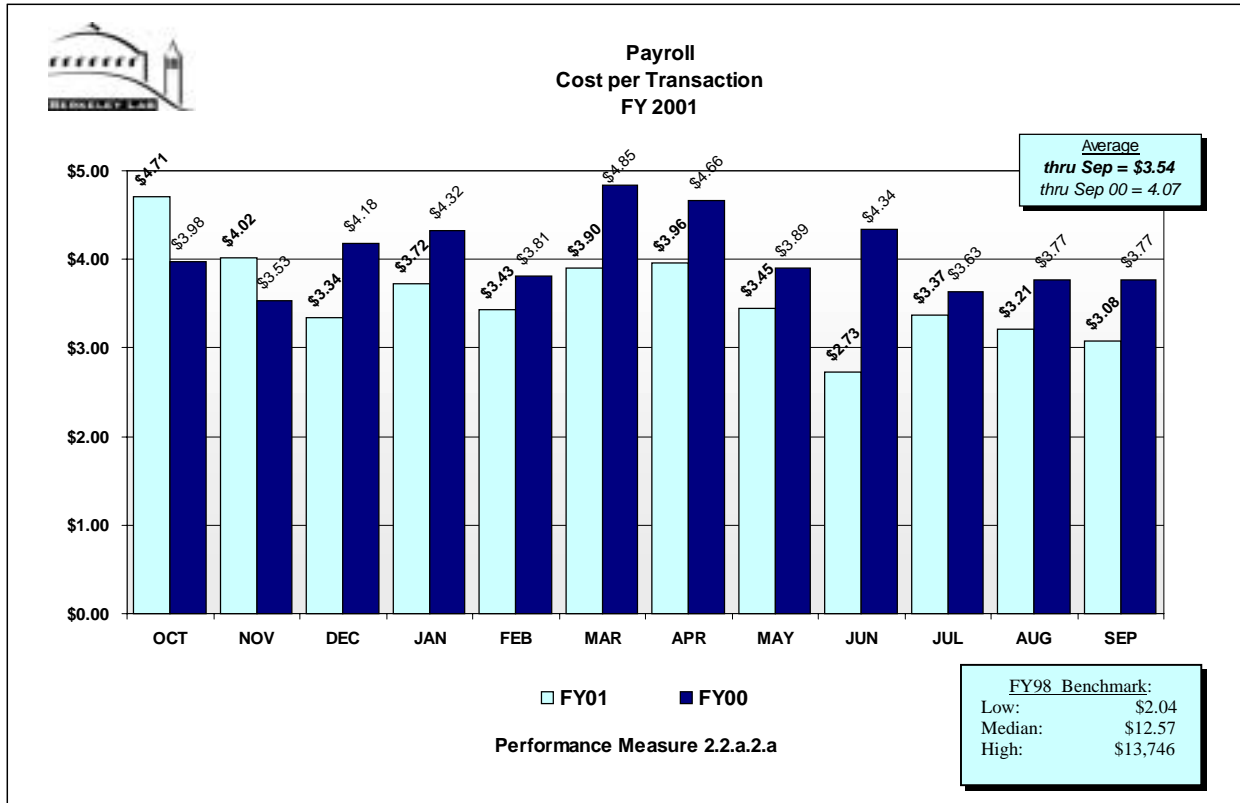
The following were used to track and calculate monthly performance:

- IMA FY-1998 benchmarking criteria
- *Payroll Transaction Report*
- Payroll transactions include on- and off-cycle payroll checks, as well as electronic deposits
- Off-cycle checks are defined as checks generated outside the normal monthly or biweekly payroll processing cycle.

Assumptions:

- The gradients listed below are based upon the average cost per payroll check or notice issued.

The average cost per payroll transaction through September was **\$3.54**, which earned an Outstanding rating.



Payroll costs continued to decrease in FY 2001, due to the reduction in labor required for processing transactions. The average cost per transaction from October through September was **\$3.54**, compared to \$4.07 for the same period in FY 2000. This earned an Outstanding rating.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.2.b

Percentage of Employees Utilizing Electronic Deposit (Weight = 2%)

Gradient:

Unsatisfactory: 71.8% or less

Marginal: 71.9% – 76.8%

Good: 76.9% – 81.8%

Excellent: 81.9% – 86.8%

Outstanding: 86.9% or more

Performance
Measure Result

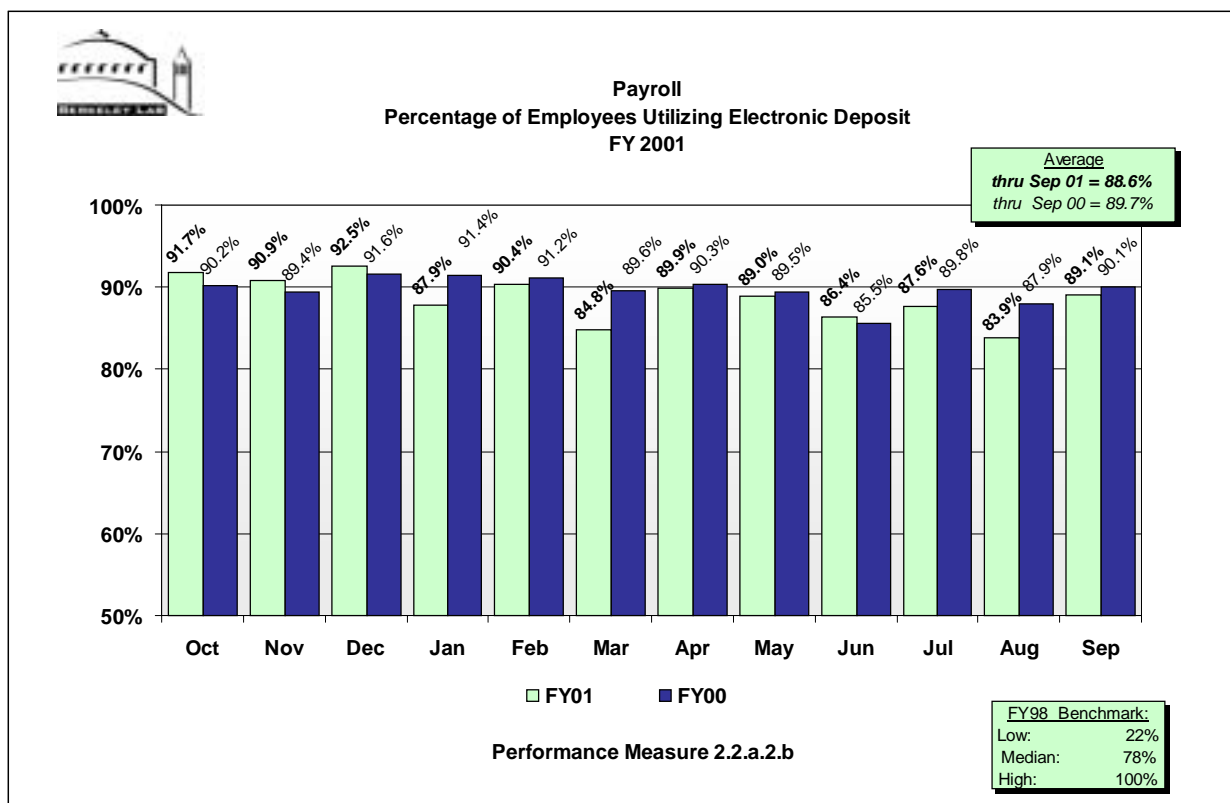
Criteria:

- Off-cycle employee payments are not included, as off-cycle payments are currently made by check.

Assumptions:

- It is the policy of the Laboratory to offer electronic deposits only as an option, because State of California regulations prohibit this as a mandatory requirement.

The average percentage of employees using the option of direct deposit through September was **88.6%**, which indicates a score of Outstanding.



The Laboratory continued to perform at a high level for this measure. The number of employees that chose to use electronic deposits averaged **88.6%** from October through September, earning an Outstanding rating. The average number of employees for the same period in FY 2000 was 89.7%.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.3

Travel (Weight = 3%)

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.3.a

Percentage of Travel Claims Processed Within Seven Days (Weight = 1%)

Gradient:

Unsatisfactory: 85.69% or less

Marginal: 85.70% – 88.79%

Good: 88.80% – 91.89%

Excellent: 91.90% – 94.99%

Outstanding: 95.00% or more

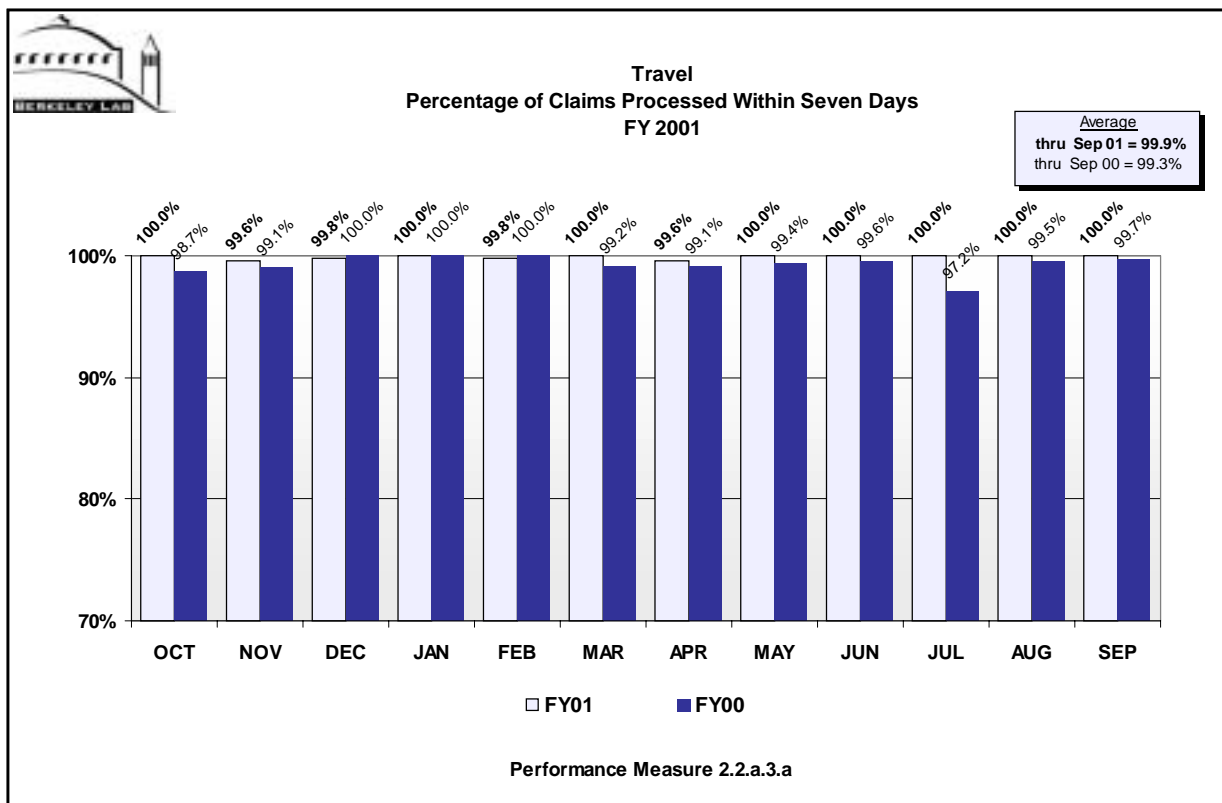
Performance
Measure Result

Criteria:

The following were used to track and calculate monthly performance:

- *Travel Voucher Turnaround Time Reports*
- The performance clock begins when claims are received and recorded. The clock stops when the claim is processed by Travel and is ready for payment.

The total number of travel claims processed for the year was **6,280**. Of that total, **99.9%** were processed within seven days, earning an Outstanding rating.



Travel continued to perform at a high level for this measure. For October through September, an average of **99.9%** of all travel claims were processed within seven days. This earned an Outstanding rating. For the same period in FY 2000, the average was 99.3%.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.3.b

Number of Days to Process Travel Claims (Weight = 1%)

Gradient:

Unsatisfactory: 8.01 or more

Marginal: 6.51 – 8.00

Good: 5.01 – 6.50

Excellent: 3.51 – 5.00

Outstanding: 3.50 or less

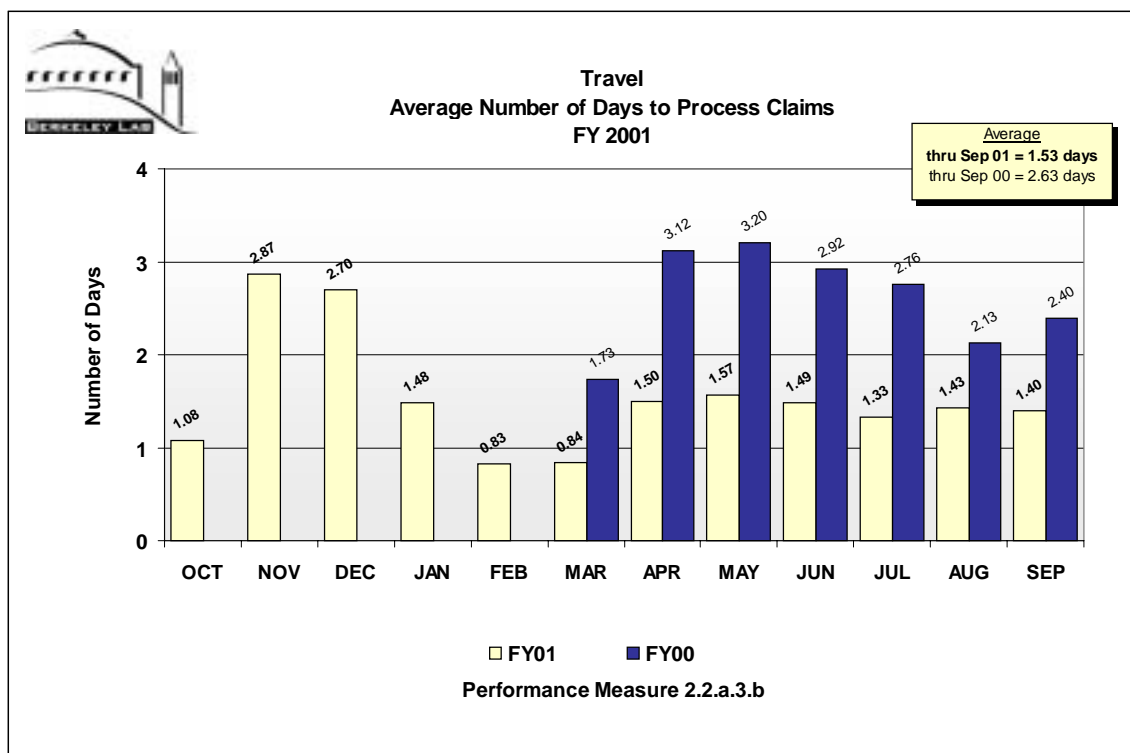
Performance
Measure Result

Criteria:

The following was used to track and calculate monthly performance:

- *Travel Voucher Turnaround Time Reports*
- The performance clock begins when claims are received and recorded. The clock stops when the claim is processed by Travel and is ready for payment.

In FY 2000, the data for this measure were not available until March, because of system difficulties. This year, the average number of days to process each travel claim was **1.53**, earning an Outstanding score.



Travel performed well in this area. The average numbers of days to process each travel claim for the year was **1.53**, which earned an Outstanding rating.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.3.c

Unit Cost per Travel Claim Processed (Weight = 1%)

Gradient:

Unsatisfactory: \$38.52 or more

Marginal: \$35.30 – \$38.51

Good: \$32.07 – \$35.29

Excellent: \$28.85 – \$32.06

Outstanding: \$28.84 or less

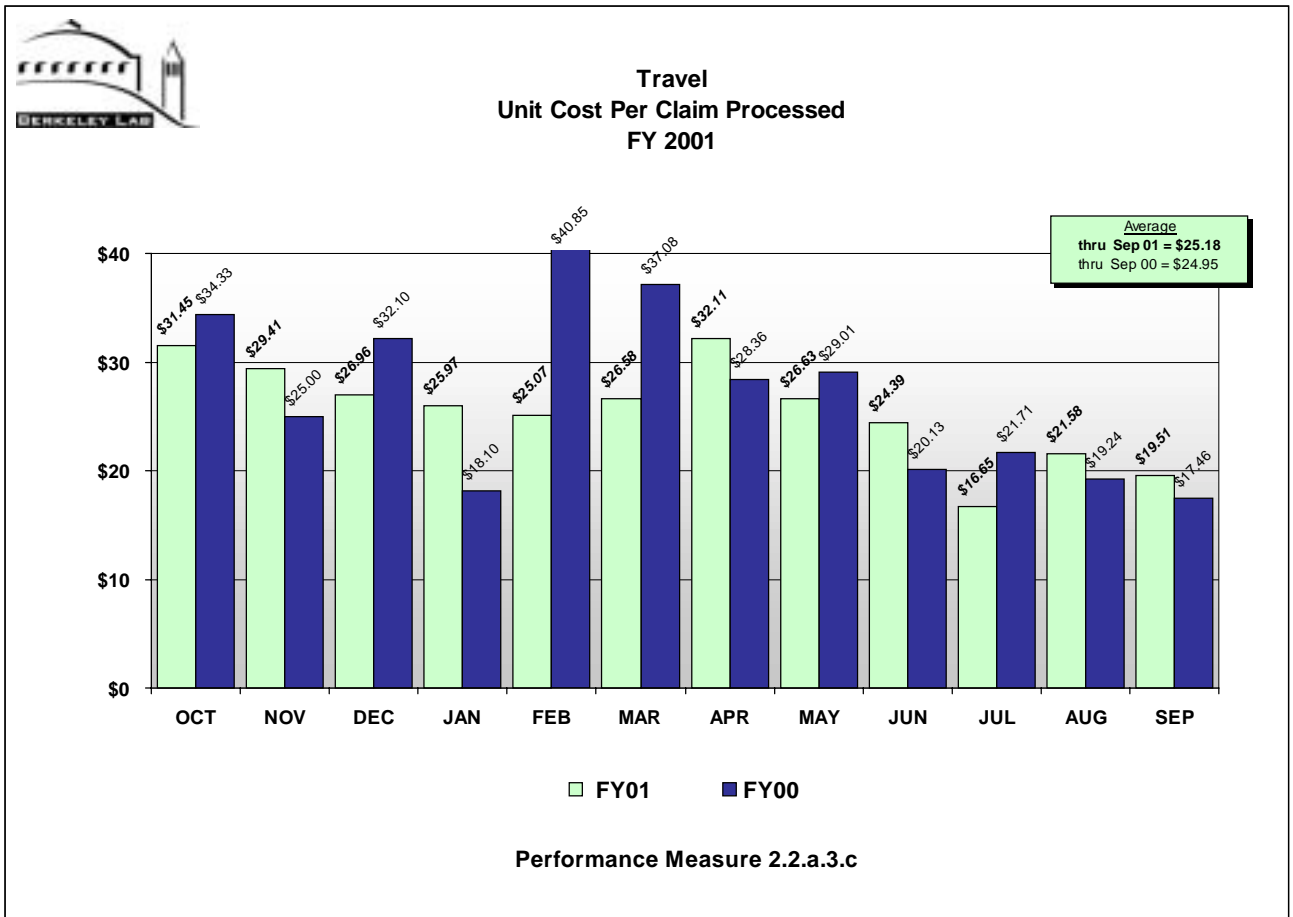
Performance
Measure Result

Criteria:

The following were used to track and calculate monthly performance:

- IMA FY-1998 benchmarking criteria
- *Travel Voucher Turnaround Time Report*

Through September, the average cost per Travel claim processed was **\$25.18**, which earned a score of Outstanding.



The average cost per travel claim processed in FY 2001 (October through September) was **\$25.18**, compared to \$24.95 for the same period in FY 2000. Travel earned an Outstanding for performance in this area.

Supporting Data

All supporting data are retained in Financial Services files.

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.4

General Accounting (Weight = 2%)

Objective #2
Criterion 2.2
Performance
Measure 2.2.a.4.a

Number of Days to Close Ledger (Weight = 2%)

Gradient:

Unsatisfactory: 7.64 or more

Marginal: 6.14 – 7.63

Good: 4.64 – 6.13

Excellent: 3.14 – 4.63

Outstanding: 3.13 or less

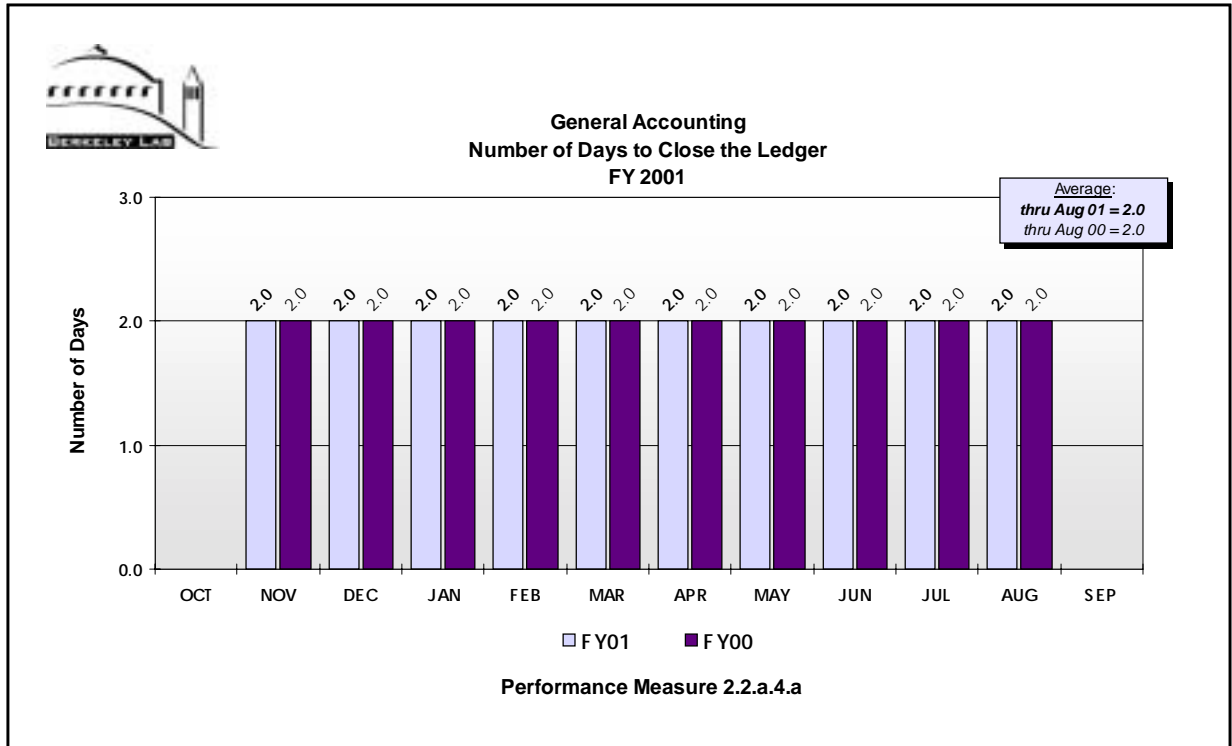
**Performance
Measure Result**

Criteria:

The following are used to track and calculate monthly performance:

- IMA FY-1998 benchmarking criteria
- Closing reports from General Accounting

For FY 2001, the average number of days to close the ledger was **2.0**, which earned a score of Outstanding.



General Accounting exceeded the minimum requirement of 4-1/2 days to transfer MARS data. In FY 2001, the number of days to close the ledger (consistently each month) was **2.0**, earning a score of Outstanding.

Supporting Data

All supporting data are retained in Financial Services files.

**Performance
Objective #3**

Financial Stewardship and Integrity: *Financial Management's practices provide for financial stewardship, including compliance and data integrity. (Weight = 40%)*

Summary

Financial Services emphasized the importance and value of internal controls this year. A concentrated effort was made to provide awareness, guidance, and training in this area. Streamlined operations, the use of technology, and effective processes contributed to the assurance of data integrity, risk mitigation, and quality financial stewardship for the Laboratory.

Objective #3
Criterion 3.1

Costs and Commitments Are Managed Properly: *Ensure that all costs and commitments are within DOE-authorized funding levels and that costs and commitments expected to be in excess of such levels are properly reported and recorded. (Weight = 10%)*

Objective #3
Criterion 3.1
Performance
Measure 3.1.a

Costs and Commitments Are Controlled to Appropriate Funding Levels: *Effectiveness of the Laboratory to control costs to B&R Level 9 and control costs plus commitments within authorized major funding levels (Obligation Control Level). (Weight = 5%)*

Assumptions:

“Within funding levels” is defined as within identified funding in the contract modifications.

“Commitments” are defined as uncostered balances under contracts awarded by the Laboratory that are set aside or encumbered, including purchase orders issued; contracts and subcontracts awarded, including the full liability under lease purchases and capital leases; termination costs for incrementally funded firm fixed price contracts, operating lease agreements, and multi-year service contracts that contain termination clauses; and other agreements for the acquisition of goods and services not yet received and uncostered balances related to other integrated M&O contractor liabilities.

Meeting the objective of this Performance Measure applies only at year-end for Construction, Operating, and Capital Equipment funds. Line item capital equipment and construction apply monthly. A narrative is written to describe the Laboratory’s performance relative to this measure. The narrative identifies the number of Obligation Control Level (OCL), B&R Level 9, line item capital equipment, and construction funding categories being measured.

Gradient:

An “Unsatisfactory” rating is given when significant fund control problems are reported (i.e., an anti-deficiency violation occurred or an OCL was exceeded).

A “Marginal” rating is given when funds control results show two or more administrative control violations per program.

A “Good” rating is achieved by staying within funding levels as defined above.

Factors considered for a higher rating include:

- Other proactive activities that improve the effectiveness of the Laboratory to manage and control funds.
- Controlling costs within funding levels identified in the contract modification for each accounting period.

An “Excellent” rating is achieved by demonstrating a sound, systematic method for managing and controlling expenditures and commitments against funding levels, with clear evidence of refinement and improved integration.

An “Outstanding” rating is achieved by demonstrating a sound, systematic method for managing and controlling expenditures and commitments against funding levels, with a very strong, fact-based improvement process and strong refinement and integration.

**Performance
Measure Result**

Costs and commitments for Operating, Plant, and Capital Equipment have been successfully maintained within 100% of the Obligation Control Levels. Operating, Equipment, and Construction costs were also maintained at 100% of authorized funding levels.

Implementation of controls was developed to ensure expected costs in excess of funding levels were properly reported and managed. Reports displaying variances between costs and commitments were reviewed regularly to ensure funding balances were maintained.

**Successes/
Shortfalls**

The following summarizes actions and accomplishments to ensure effective management of costs and commitments:

- Success rate of 100% in maintaining costs and commitments within DOE-authorized funding levels:
 - Costs controlled to B&R Level 9
 - Costs and commitments maintained within Obligation Control Levels
- Reports developed for cost management:
 - *B&R Status Report*
 - *Funding Report*
 - *General Plant and Equipment Report*
 - *IRIS Cost Reports*
 - *LDRD Report*
 - *Management Report*
 - *Travel Report*
- Regular meetings with divisions:
 - Review financial issues and status of projects
 - Monitor funding and costs

Number of Funding Categories Measured

The following funding categories were measured for DOE:

<i>Funding Categories</i>	
Operating	265
Capital Equipment	62
Construction	11
Line Item Projects	11
Total	349

Financial Services also tracks the number of separate funding groups for sponsored research RWOs (Reimbursable Work Orders). To date, the following groups are tracked:

<i>Sponsored Research RWOs</i>	
B&R Category	No. of RWOs
65	45
60	541
40	466
82	98
YN19	6
Total	1,156

Maintain Funding Levels

Costs and commitments for Operating, Plant, and Capital Equipment projects were managed at 100% of the Obligation Control Levels. All Operating, Equipment, and Construction costs have been maintained at 100% of authorized funding levels.

Proactive Activities That Improve the Effectiveness of the Laboratory to Manage and Control Funds

Funding Report

Financial Services re-engineered a monthly report that corresponds with the funding guidance received from DOE as a paper copy. The model uses an Excel format, and the guidance information is entered into a spreadsheet. The significance of this application is that it provides the capability of sorting and displaying data so that costs can be compared against funding. It can be submitted electronically and provides a streamlined mechanism in which to notify programmatic divisions of guidance received. It also provides a basis for effective proactive activities, such as timely variance analysis and follow-up with programmatic customers.

Other Reports

Other reports are reviewed on a regular basis to manage and control funds:

- B&R Status Report
- General Plant and Equipment Report
- IRIS Cost Reports
- LDRD Report
- Management Report
- Travel Report

Supporting Data

All supporting data are retained in Financial Services files.

Objective #3
Criterion 3.1
Performance
Measure 3.1.b

Control of Funds: *Evaluation of proactive activities designed for control of funds.*
(Weight = 5%)

Assumption:

A narrative is provided to describe initiatives.

Gradient:

An "Unsatisfactory" rating is given when no systematic approach is evident.

A "Marginal" rating is given when a systematic approach is in the beginning stages and major gaps exist in deployment that would inhibit improvement of fund control processes.

A "Good" rating is achieved by implementing an effective, systematic process for mitigating administrative control of funds violations.

Factors considered for a higher rating include:

- Process improvements.
- Control improvements and enhancements.
- Timely notification to DOE of significant changes in projected year-end unclosed balances.

An "Excellent" rating is achieved by demonstrating a sound, systematic method for managing and controlling expenditures against funding levels and administrative control levels, with clear evidence of refinement and improved integration.

An "Outstanding" rating is achieved by demonstrating a sound, systematic method for managing and controlling expenditures against funding levels and administrative control levels, with a very strong, fact-based improvement process and strong refinement and integration.

Performance
Measure Result

Process improvements were established to effectively manage costs against funding and administrative control levels.

Successes/
Shortfalls

The following proactive activities were implemented to control funds at the Laboratory:

- Analysis of soft close data each week
- Funds control reviews each month
- Regular meetings with divisions to review balances
- Process improvements to mitigate risk and control funding violations
 - Close review and analysis of contract modifications and guidance
 - Improved interaction with divisions to identify potential risks

**Timely Notification to DOE of Significant Changes in
Projected Year-end Uncosted Balances**

To assist in the validation and analysis of uncosted balances for each B&R, the annual *Uncosted Balances Report* was prepared and submitted to DOE on time. Notification of significant changes or variances were identified and accompanied by an explanation.

Supporting Data

All supporting data are retained in Financial Services files.

**Objective #3
Criterion 3.2**

Financial Management Practices: *Ensure that financial management and reporting practices fully disclose the results of operations and contain accurate, useful, timely information for program and fiscal management needs. (Weight = 15%)*

**Objective #3
Criterion 3.2
Performance
Measure 3.2.a**

Financial Policies, Practices, Data, and Reports: *Evaluation of the level to which the Laboratory's financial policies, practices, data, and reports comply with applicable DOE requirements. (Weight = 15%)*

Assumptions:

A narrative is provided to describe the effectiveness of financial management and reporting practices performed to better manage DOE's requirements. Primary emphasis is placed on the following accounts, activities, processes, initiatives, or reports identified by the Laboratory and DOE as high-risk areas:

- Annual financial statements and footnote analysis
- Annual statement of cost incurred and claimed certification
- Implementation of federal financial accounting standards
- Account reconciliations
- Indirect rate management
- Cost accounting standards (CAS) practices and disclosure statement
- Updated contractor financial policies and procedures
- Work-for-others accounting practices
- Management of delinquent receivables
- Travel practices
- Support for DOE's Standard General Ledger (SGL) conversion
- Effective implementation of Safeguards and Security Cost Recovery policy.

Gradient:

An "Unsatisfactory" rating is given when no systematic approach is evident and/or significant noncompliance with DOE requirements is reported (i.e., augmentation, anti-deficiency, loss of government assets/funds, violations or appropriation law, DOE financial statement qualifications, fraud, waste, and abuse).

A "Marginal" rating is given when a systematic approach is in the beginning stages and major gaps exist in deployment that would increase the Laboratory's risks relative to augmentation, anti-deficiency, loss of government assets/funds, violations of appropriation law, DOE financial statement qualifications, fraud, waste, and abuse.

A "Good" rating is achieved by demonstrating that a sound systematic method is deployed for managing financial management and reporting practices for all financial processes, with emphasis on the high-risk areas to ensure that financial practices, data, and reports are consistent with DOE requirements.

Factors considered for a higher rating include:

- Positive results from internal/external audits.
- Proactiveness in monitoring the effectiveness of the Laboratory's current financial policies, procedures, and practices to ensure compliance with DOE requirements.
- Significant improvement in the financial practices of high-risk areas.
- Improvement in the financial practices of other low-risk accounts, activities, or processes while maintaining effective practices for high-risk areas.
- Proactive interaction with DOE with respect to financial management matters.

An "Excellent" rating is achieved by demonstrating that a sound, systematic method is fully deployed for managing all financial management and reporting practices in accordance with DOE requirements, with significant improvement or a sustained high level of performance in the practices of high-risk areas and proactive interaction with DOE with respect to financial matters.

An "Outstanding" rating is achieved by demonstrating that effective management practices exist over financial management and reporting practices. These practices ensure compliance with DOE requirements, proactiveness in self-monitoring, significant improvements in low-risk areas while maintaining effective practices for high-risk areas. Documentation is maintained as a general practice to substantiate the effectiveness of the practices employed and to support the positive results from internal and external audits.

**Performance
Measure Result**

Several methodologies were used to ensure effective financial practices and policies in compliance with DOE requirements and Cost Accounting Standards.

**Successes/
Shortfalls**

Successes in the effective management of financial practices are summarized below:

- Effective rate management
- CAS regulations reviewed for compliance
- Early submission of Annual Statement of Cost Incurred and Claimed Certification

Annual Financial Statements and Footnote Analysis

The Annual Financial Statements and Footnote Analysis was submitted one day late to DOE, with no reportable instances in Financial Statement Analysis. The footnote disclosures included contingencies, ES&H liability, environmental liability, interagency transactions, and plant, property, and equipment expenses. Analysis included no reportable items for Heritage Assets (SFFAS No.8), subsequent events, and supplemental stewardship information.

Annual Statement of Cost Incurred and Claimed Certification

The Annual Statement of Cost Incurred and Claimed Certification was prepared accurately and submitted to DOE early.

Implementation of Federal Financial Accounting Standards

The practice of complying with Federal Financial Accounting Standards regulations continued in FY 2001. The regulations are reviewed regularly in order to stay in touch with current changes. Financial Services maintains the application of Federal Financial Accounting Standards regulations in all of its financial practices. The regulations are also available on the Financial Services Web site as a reference.

Internal and External Account Reconciliations

Reconciliations performed during the year are shown below:

<i>Type of Reconciliation</i>	<i>Status</i>
Accounts Payable bank accounts	Current
Administrative fund	Current
DOE funding	Current
Overhead status	Current
Payroll bank accounts	Current
Payroll tax liability accounts	Current
Purchase orders (pre 1997)	Current
UCDRD	Current
WFO funding	Current

Indirect Rate Management

The Laboratory's indirect rates have been set to effectively minimize any year-end variances between the cost pools and recoveries. Throughout the year, forecasts are made to estimate the level of cost and recovery for each pool. Several techniques are used to project pool expenditures, which are regularly monitored in relationship to the level of recovery.

Additionally, the Laboratory developed a revised indirect rate structure that will simplify and improve budget formulation and execution. This proposed rate structure reduces the number of cost pools and will serve to limit any end-of-year variances.

CAS (Cost Accounting Standards) Practices and Disclosure Statement

Compliance with CAS is monitored on an ongoing basis. Through discussions and reviews performed on the various indirect budgets,

Financial Services reinforced the requirement to be compliant with Federal Cost Accounting Standards. The Cost Disclosure Statement has been updated. The Environmental Management rate was deleted and the Safeguards and Security rate was added. The Laboratory contracted with PricewaterhouseCoopers to provide a review of our financial policies and their compliance with CAS. PricewaterhouseCoopers assisted in preparing the revised Cost Disclosure Statement submitted to DOE in August. The accounting changes to the Laboratory's indirect cost pools and bases, which were changed as a result of rate restructuring, were approved by DOE in September.

Updated Contractor Financial Policies and Procedures

DOE approved our revised policy on honoraria. Definitions were modified for clarity and accuracy, as well as eligibility and applicable restrictions. The Laboratory's RPM (Regulations and Procedures Manual), which is accessible on the Web, was correspondingly updated.

Travel Practices

Throughout the year, a travel report is submitted to senior and division management. The report displays progress towards established targets for Energy, Water and Interior, and Work for Others. Any spending trends ahead of the target are noted and discussed with the programmatic divisions. In addition, new guidelines were incorporated into the report during the year. LDRD (Laboratory Directed Research and Development) and SNS (Spallation Neutron Source) travel expenditures are not part of the Energy and Water target.

Support for DOE's Standard General Ledger (SGL) Conversion

A short-term functional systems plan was prepared in Financial Services to increase operational efficiency. Part of that plan included the standardization of reconciliation formats and procedures for all FMS trial balance accounts, which was completed this year. This included the reconciliation of the general ledger accounts with subsidiary ledgers, as well as DOE control accounts.

The new process will simplify and facilitate the validations of general ledger accounts to DOE control accounts in a more timely manner, thereby providing the necessary format for table maintenance updates.

Effective Implementation of Safeguards and Security Cost Recovery

In accordance with DOE directives, Safeguards and Securities costs have been moved from indirect to direct funded programs. A Work for Others Safeguards and Securities rate has been established that is applied to all Work for Others projects in order to recover that portion of Safeguards and Securities costs. Indirect rates were also recalculated to account for the

indirect budget reduction. Separate B&R categories have also been established for the direct portion of the program.

WFO Accounting Practices

The Laboratory addressed WFO (Work for Others) accounting practices to ensure costs and commitments were managed to appropriate levels and that there were no negative balances at year-end.

Financial Services also collaborated with DOE to review WFO accounting practices. A plan was developed and approved by DOE to approach the issue in two parts:

1. Debit balances as of December 31 (per a list of questionable balances provided by DOE) were corrected.
2. Systems and processes were analyzed. A root cause analysis was conducted to address short- and long-term corrections and improvements. The following are the results of the analysis:
 - Current systems do not provide adequate controls.
 - Short-term improvements are attainable (manual application of post-contract contingency bridge funding at RWO level).
 - Long-term process and system improvements will extend beyond the fiscal-year end.

Management of Delinquent Receivables

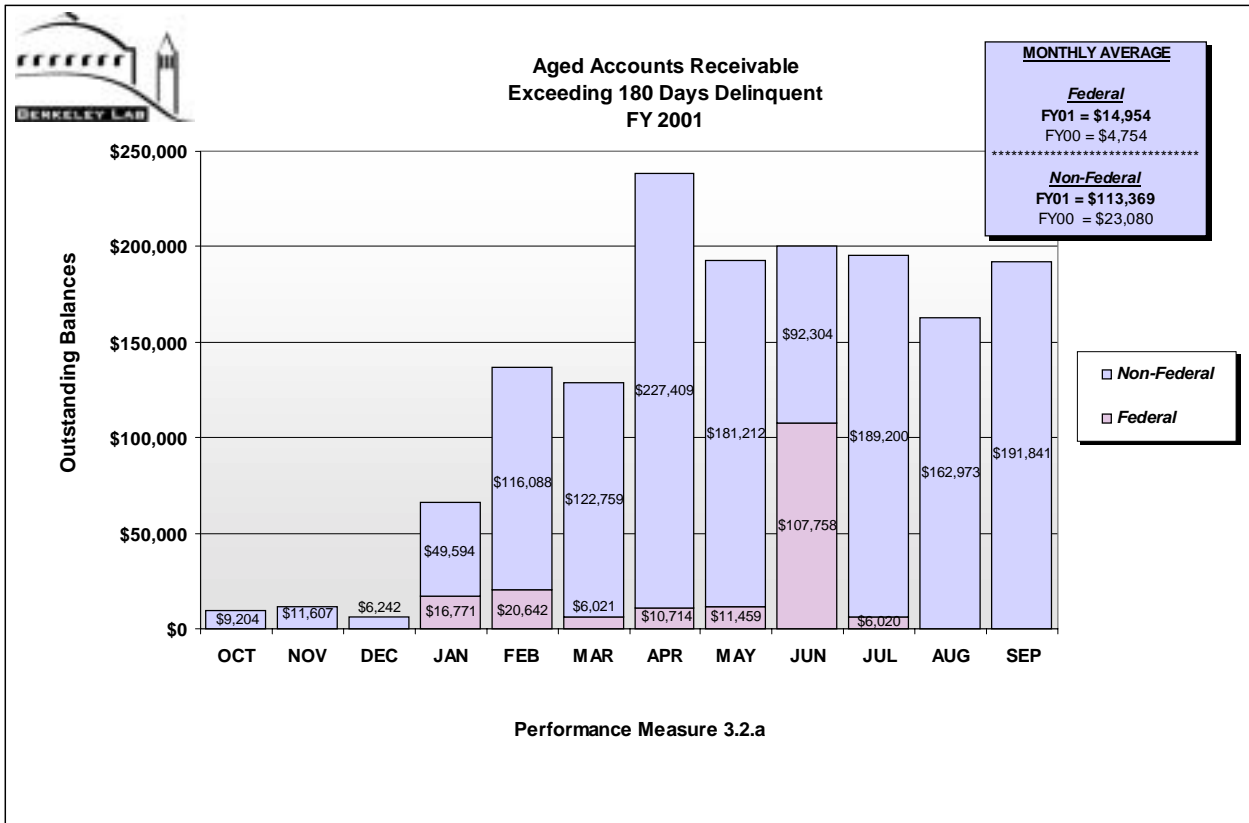
The following table reflects the management of delinquent receivables from October through September, compared to the same period in FY 2000. The average balance of aged accounts receivable exceeded the average balance for the same period last year.

The increase in aged receivables from 1–180 days delinquent was primarily due to a system change from the prior year in the methodology for recording invoice due dates. The increase in aged receivables over 180 days delinquent was attributed to sponsor administrative and payment processing issues. These issues are currently being resolved.

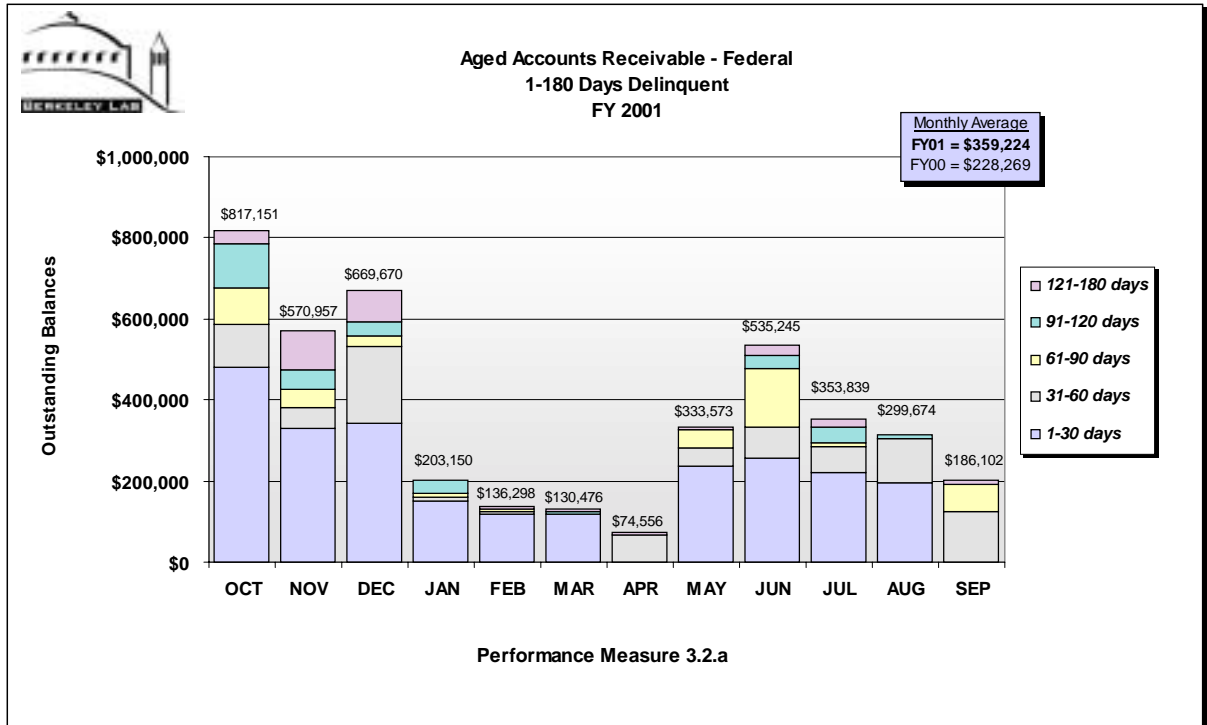
Throughout the year, the Laboratory was continuously in contact with the DOE liaison accountant and has complied with guidance received from DOE on the criteria for reporting delinquent non-Federal accounts receivable.

<i>Average Aged Accounts Receivable</i>				
Annual	<i>1-180 Days</i>		<i>over 180 Days</i>	
	FY01	FY00	FY01	FY00
<i>Federal</i>	359,224	228,269	14,954	4,754
<i>Non-Federal</i>	1,423,334	1,180,296	113,369	23,080

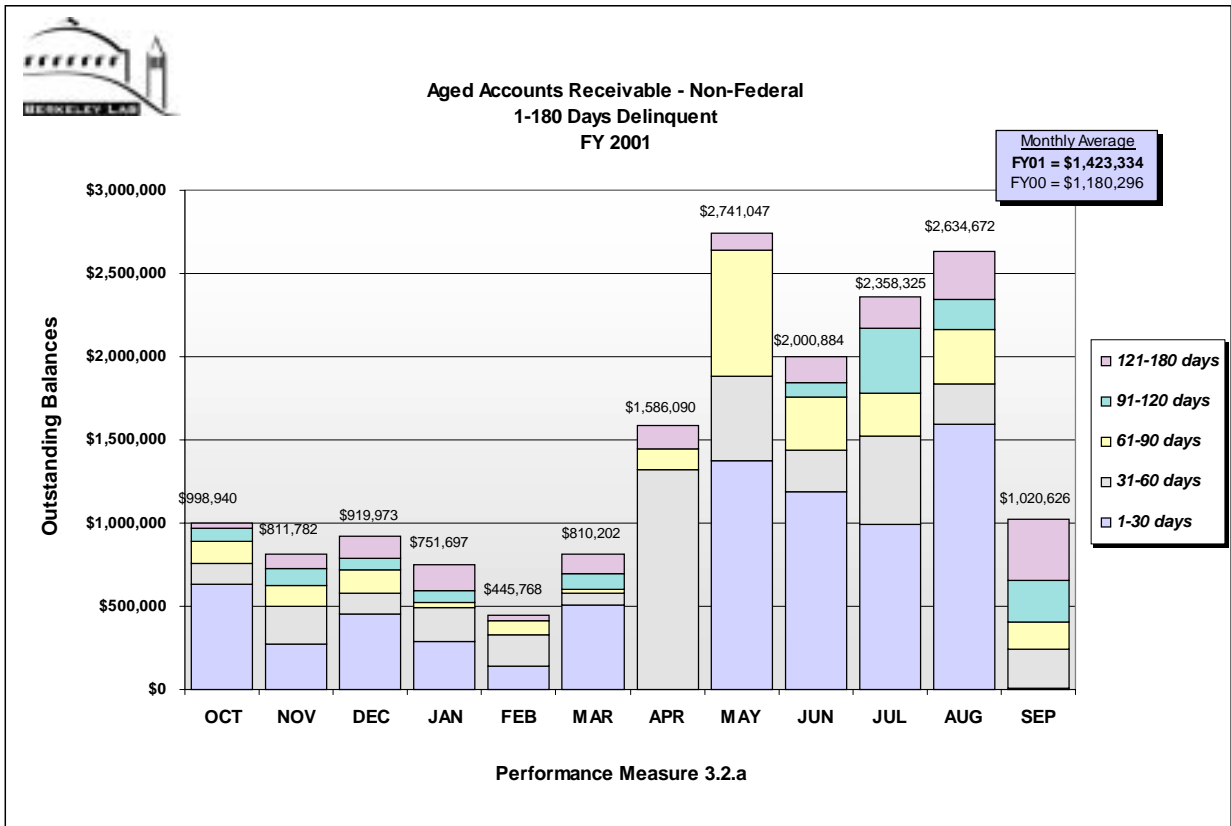
The following charts illustrate the Laboratory's performance in this area:



Outstanding receivables delinquent by more than 180 days were managed to an average balance of **\$128,323** for the year, compared to \$27,834 for the same period in FY 2000.



Outstanding federal receivables 1–180 days delinquent were managed to an average balance of **\$359,224** through September, compared to \$228,269 for the same period in FY 2000.



Non-federal receivables 1–180 days delinquent were managed to an average balance of **\$1,423,334** through September, compared to \$1,180,296 for the same period in FY 2000.

Positive Results from Internal/External Audits

A log is maintained to monitor the current status of financial audits. In June, *Audit 2292 (Cost Allowability)* and *Audit 2253 (Payroll Processing)* were completed with no findings. The following table identifies current audits in progress:

Audit Number	Title
2286	Billings and Receivables
2301	Resource Adjustments

Proactiveness in Monitoring the Effectiveness of the Laboratory's Current Financial Policies, Procedures, and Practices to Ensure Compliance with DOE Requirements

The Laboratory actively responded to a recent review of the current policy on resource adjustments. In April, interim procedures on the resource adjustment process were presented at the Administrative Services Communications Meeting outlining the changes for immediate implementation.

- Divisions responsible for knowledge and adherence of Laboratory procedures
- Approval required for resource adjustments over \$5,000
- Physical documentation available locally

In addition to developing and processing updated procedures for the RPM (Regulations and Procedures Manual), Financial Services distributed interim procedures for the documentation, review, and approval of all resource adjustments at the Laboratory. The Cost Allowability section of Contract 98 was also cited and distributed. Specific guidelines were submitted to all financial employees regarding:

- Necessity
- Appropriateness
- Documentation/justification
- Approval threshold
- Approver criteria

In accordance with DOE requirements, the policy on honoraria was updated and approved by DOE. It was published in the RPM Web site. A new honoraria form was also developed and placed on the Web. This was a discussion topic at several Administrative Services Communications meetings to inform customers of policy changes and new forms.

The Laboratory also reviewed and updated the Travel policy to exclude LDRD (Laboratory Directed Research and Development) and SNS (Spallation Neutron Source) projects. The programmatic divisions were notified of the change.

Improvement in the Financial Practices of Accounting Functions with High Risk

Each month, accounting functions are identified, and their level of risk is categorized as high, medium, or low. A risk-control memo is submitted to the Controller noting any change in risk assessment. Comments are provided where necessary. Risk areas with a high rating are reviewed and, if appropriate, a risk reduction plan is discussed and implemented with the

unit manager. The following table details the functions assessed for risk control in Financial Services:

<i>Risk Prioritization Functions</i>	
Accrual process	Non-DOE bank account
Admin bank account	Non-P.O. payments
Advance liability accounts	P.O. close out
AR Aging	Payment process
AR to GL reconciliation	Payroll vendor liability account
B-Funding (PCCF plus management fee)	Payroll bank account
DOE funding	Payroll tax liability reconciliation
DOE to LBNL trial balance	Petty cash
Dual payments	Suspense account
Feeders booked to GL plus control totals	Transfer voucher accounts
Honoraria payments	UCDRD
Invoice process	Unbilled costs
Liability accounts reconciliation	Unidentified checks
MARS transmission	Vendor bank account
NIH bank drawdown	Vendor file setup

Proactive Interaction with DOE Concerning Financial Management Matters

The Laboratory maintained a partnership with DOE, communicating on a variety of financial issues such as:

- Performance measurements
- Policies and procedures
- Rate restructuring
- Safeguards and security

Supporting Data

All supporting data are retained in Financial Services files.

**Objective #3
Criterion 3.3**

Effective Internal Controls and Compliance: *Provide for effective internal controls and ensure timely and effective resolution of identified weaknesses.*
(Weight = 15%)

**Objective #3
Criterion 3.3
Performance
Measure 3.3.a**

Internal Controls and Compliance Process Management: *Degree to which an effective system for identifying, reviewing, and correcting (if identified) Financial Management internal control and compliance processes is maintained.*
(Weight = 15%)

Assumptions:

A narrative is provided to describe and self-assess the internal controls and financial management techniques employed minimize and mitigate risks for major financial management processes. The Laboratory performs the self-assessment according to Oakland Operations Office, Assessment Management Plans (AMPS). To avoid duplication, the finance organization either self-assesses or relies on recent internal or external audits, reviews, or assessments of relevant activities.

Gradient:

An "Unsatisfactory" rating is given when no systematic approach is evident and significant internal control weaknesses are reported.

A "Marginal" rating is given when a systematic approach is in the beginning stages and major gaps exist in deployment that would increase the Laboratory's risks relative to internal controls weaknesses with respect to compliance with DOE requirements and federal regulations.

A "Good" rating is achieved by describing the existing systems and processes that are used for identifying, prioritizing, and validating the effectiveness of the internal controls and ensuring compliance in accordance with DOE requirements. Internal control weaknesses and corrective actions taken are identified.

Factors considered for a higher rating include:

- Demonstrated process improvements.
- Aggressiveness in resolving identified findings and weaknesses.
- Effective process for identifying and validating key internal controls and ensuring compliance with DOE requirements.
- Proactive leadership in self-disclosing and correcting internal control weaknesses and internal audit findings.

An "Excellent" rating is achieved by demonstrating (1) a well-documented process for identifying and validating the effectiveness of key internal controls and for ensuring compliance, and (2) proactiveness in resolving identified findings and weaknesses.

An "Outstanding" rating is achieved by demonstrating (1) that an effective process is maintained to prevent and detect major risks and/or process improvements are linked to positive results, and (2) the aggressiveness of resolving control weaknesses and findings.

Performance Measure Result

Financial Services initiated a concentrated effort on effective internal controls and awareness this year. Several processes were developed to control and prioritize risk.

Successes/ Shortfalls

As a result of reviews and audit recommendations, the following actions were taken to mitigate financial risks:

- Internal controls seminar
- Balance sheet reconciliations
- Development of policies and procedures for resource adjustments
- Development of financial control status report
- Review and clear dormant Accounts Payable purchase orders
- Salary overpayment accounting

Internal Controls Seminar

As previously discussed, the Laboratory invited PricewaterhouseCoopers to conduct a one-day seminar on internal controls for financial employees. This was the result of an effort to increase awareness of the risk assessment process and apply sound business objectives to achieve:

- Compliance with laws and regulations
- Effective and efficient operations
- Reliable financial reporting

The positive comments received indicate that the class provided added value in implementing effective control and compliance practices.

Balance Sheet Reconciliations

The Laboratory is in the process of developing standardized reconciliation formats and procedures for all FMS trial balance accounts. This will include reconciliation of general ledger accounts with subsidiary ledgers as well as DOE accounts. A draft report has been developed to include period-ending balances and reconciliation status.

Development of Policies and Procedures for Resource Adjustments

The Laboratory is actively addressing the development of new policies and procedures for resource adjustments (see Performance Measure 3.2.a). Financial employees were advised of interim procedures and the significance of their understanding of the Laboratory's policies. New policies and procedures are pending development for inclusion in the RPM, as appropriate, pending the results of the *Internal Audit Services Resource Adjustments* review (Audit No. 2301).

Development of Financial Control Status Report

The Laboratory is in the process of developing a *Financial Control Status Report*, as recommended by *Internal Audit Report 2205*, to provide indicators of delays in the reconciliation process and disposition of reconciliation items.

Review and Clear Dormant Accounts Payable Purchase Orders

Dormant Accounts Payable purchase orders were reviewed and cleared in FY 2001. A reconciliation of pre-1997 purchase orders with out-of-balance conditions was successfully completed by Accounts Payable.

Salary Overpayment Accounting

The Laboratory has taken steps to ensure that salary overpayments are credited to the appropriate division project when set up as an employee accounts receivable.

Additional Assessment Items

The following were identified by DOE as additional areas of assessment:

- Electricity charging practices
- Operating versus capital expenditure funding determinations
- Practices for self-constructed assets
- Reconciliation of reimbursable and cooperative work revenues
- Distribution of royalty or other income from Technology Transfer activity

Electricity Charging Practices

Utilities including electricity are classified as General Laboratory expense in the site support, indirect cost pool. Electricity costs are excluded from the Laboratory distribution base. Onsite costs are based upon meter usage (180 are read each month), multiplied by the recharge rate. Metered usage is charged to the respective division projects.

Electricity Maintenance Surcharge

- Elements of cost include labor, materials, travel, and other administrative, expenses related to the maintenance of the electrical distribution system.
- Can be charged as direct cost to final cost objective and other indirect cost pools for reallocation to several final cost objectives.

Electricity Recharge Rate

- The recharge rate is developed on an annual basis by Facilities and is submitted to Financial Services for inclusion into the annual budget. It consists of four surcharges:
 - Actual electricity cost billed to LBNL from LLNL
 - Electrical Distribution System maintenance
 - Grizzly Peak substation
 - Electrical/IHEM

The Facilities budget analyst reviews costs against recharge revenue on a monthly basis.

Documentation

- A comprehensive procedure manual was developed by Facilities for electricity costing procedures.
- The manual is currently being reviewed and will be revised if appropriate.
- A white paper on electricity recharges and surcharges was developed by the Budget Office in 1997, which is also under review. It will be updated by Facilities if warranted.

Operating Versus Capital Expenditure Funding Determinations

It is the Laboratory's policy to follow the guidelines included in Chapter 10 of the DOE Accounting Handbook for operating versus capital expenditure determination. The policy is available to employees on the Budget Office Web site.

The head of the Facilities Department provides an assessment as to whether the source of funding is derived from site support, general-purpose equipment, or general plant projects. Financial Services does not approve the source of funding prior to this assessment.

As a result of DOE's indirect budget review conducted in FY 2000 on FY-1999 costs, the funding source was questioned on a few projects that used site support. Based on the above, the Laboratory's Internal Audit Department is in the process assisting DOE on follow-up items from the FY 2000 indirect budget review.

Practices for Self-constructed Assets

Self-constructed assets are exempt from the G&A institutional indirect rate. This treatment is outlined in the Laboratory's disclosure statement. DOE can provide funding for construction or equipment. Funding is also provided by sponsors and other national laboratories. Fabrications performed on behalf of other national laboratories are deemed as work

performed for Berkeley Lab, as scientists may use other laboratory facilities to do Berkeley Lab research. Therefore, they are exempt from Berkeley Lab's G&A rate.

DOE construction funding is always treated as a self-constructed asset. Equipment funding, regardless of the source, can be deemed as a self-constructed asset if it meets the Laboratory policy on equipment fabrication and is approved by the Budget Office. This policy is also published on the Budget Office Web site and corresponds with the guidelines of Chapter 10 of the DOE Accounting Handbook.

Self-constructed assets were reviewed in consultation with PricewaterhouseCoopers. This item was addressed as a separate rate, reviewed with DOE, and approved as part of the rate-restructuring plan.

Reconciliation of Reimbursable and Cooperative Work Revenues

The query used to provide the Laboratory's FY-1999 Reimbursable and Cooperative Work Revenues included in the Reconciliation of Revenues Generated through Provision of Products and Services Report was insufficient. After the completion of the FY-1999 Pricing Report, the Laboratory developed a corrected query that provided appropriate data for reconciliation of Laboratory and DOE FIS (MARS) revenues.

Distribution of Royalty or Other Income from Technology Transfer Activity

The DOE report, Tracking of Technology Transfer Third Party Receipts for FY 1999, required a cash basis reporting of royalty distribution or other sources of income. Because actual income distribution does not occur until the following fiscal year, nothing was reported as payments to inventors or allocations for R&D support. The report did not sufficiently provide visibility for income distribution, according to the Laboratory's Institutional Plan for FY 2000 – FY 2004, dated August 1999.

The FY-1999 royalty or other income reported was reviewed. In Section I, the Laboratory reported the FY-1999 gross amount as collection of royalties and other income, rather than the net amount after patent costs, license costs, other incidental expenses and payments to inventors. The calculated net amount is still substantially less than five percent of the Laboratory's annual budget. The amount of royalty or other income available for distribution in FY 1999 was indicated in Section II under "Other - Retained by Contractor for Future Allocation."

Aggressiveness in Resolving Identified Findings and Weaknesses

A proactive approach was adopted to resolve audit recommendations and identified weaknesses. The following actions were taken as a result:

- Development and interim implementation of new policies and procedures for resource adjustments.
- Inclusion of new resource categories and types for FY 2001, to enhance controls, provide expanded refinement for analysis, and furnish more definition and clarification of costs.

Supporting Data

All supporting data are retained in Financial Services files.

**Performance
Objective #4**

Learning and Growth: *Managing the workforce in a manner that ensures that personnel are qualified and effective. (Weight = 10%)*

Summary

It is recognized that effective workforce management and development is paramount to successful operations. To realize success in this continuum, Financial Services promoted effective education, planning, employee satisfaction, and the strategic restructuring of the workforce.

Objective #4
Criterion 4.1

Workforce Management: *Develop and maintain an effective Financial Management workforce. (Weight = 10%)*

Objective #4
Criterion 4.1
Performance
Measure 4.1.a

Effective Workforce Management: *Evaluation of Financial Management organization and processes resulting in an effective workforce. (Weight = 10%)*

Assumptions:

A narrative is provided to describe the Financial Management organization structure, workforce development plans, training activities within the Financial Management organization, employee satisfaction, staffing and skills mix plans, strategic planning, and other activities resulting in improving the workforce.

Gradient:

An “Unsatisfactory” rating is given when no systematic approach is evident, only anecdotal information is provided, and no results are reported.

A “Marginal” rating is given when a systematic approach is in the beginning stages and major gaps exist in deployment that would inhibit improvement of workforce management practices, with only some improvements.

A “Good” rating is achieved by establishing and maintaining a systematic approach to effective financial workforce management, with employee productivity improvement trends in many areas.

Factors considered for a higher rating include:

- Merging of related functions.
- Training and development activities of nonfinancial organizations and other institution-wide initiatives.
- Major cost and staffing reductions not negatively affecting performance.
- Maintenance of a high level of employee productivity.

An “Excellent” rating is achieved by demonstrating a sound, systematic method for effectively managing the Financial Management workforce, with clear evidence of refinement, improved integration, and employee productivity trends in most areas.

An “Outstanding” rating is achieved by demonstrating a sound, systematic method for effectively managing the Financial Management workforce, with a very strong, fact-based improvement process, strong refinement and integration, and a high level of employee productivity.

**Performance
Measure Result**

The Chief Financial Officer and Financial Services management initiated a concerted effort to improve the effectiveness of the workforce this year. Balanced leadership has now become the underlying foundation of staff development and strategic planning. Principle-based processes, team leadership, coaching, education, and improved worklife are key factors in the improvements made in effective employee management and productivity.

**Successes/
Shortfalls**

A marked increase in communication and workforce development was evidenced by several factors this year:

- Workforce management
 - Organization restructure
 - Job validation initiative
 - Outreach recruitment
 - Diversity
- Workforce development
 - Education and training
 - Linking departmental performance to individual performance
 - Library development
 - Staffing and skills mix
- Employee satisfaction
 - Expanded flexible work schedules
 - Recognition

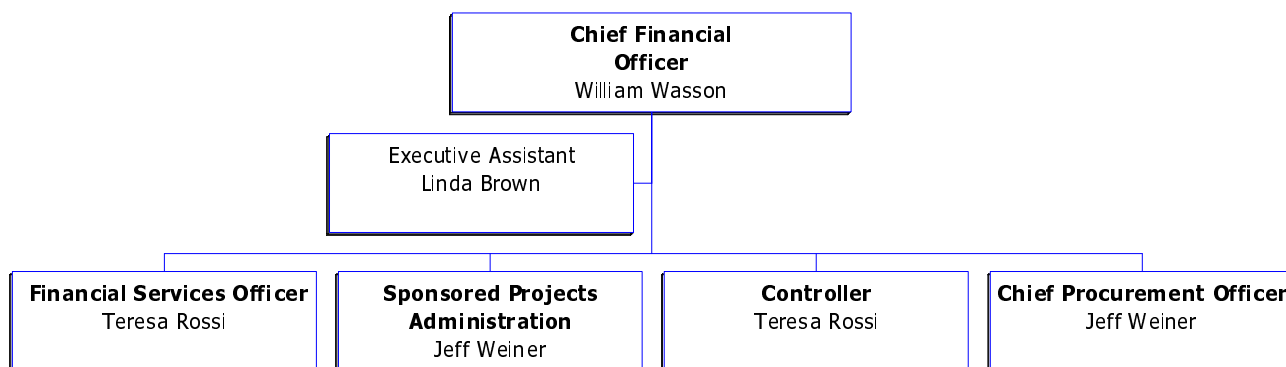
Organization Structure

Financial Services is committed to upholding its established goals, objectives, and strategies to better serve the Laboratory community. In an effort to accomplish this effectively, a major reorganization is in progress. The following are organization charts that illustrate the new structure within the Department:



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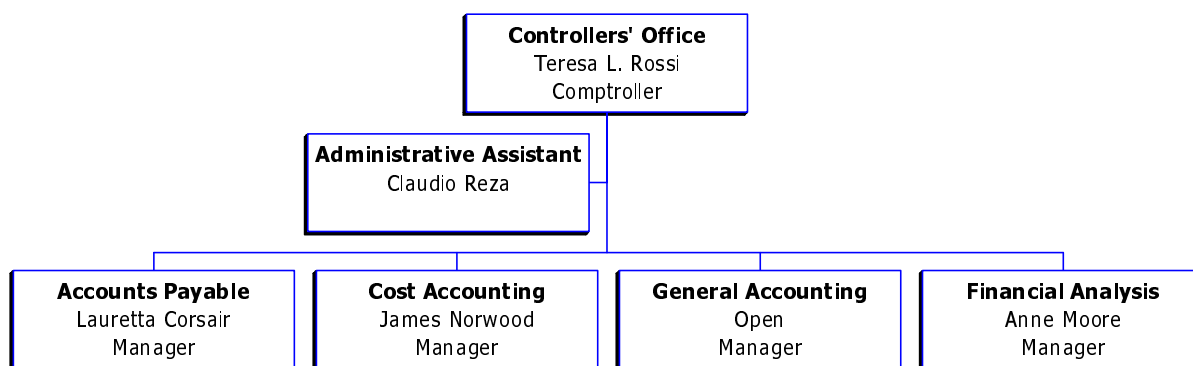
Office of the Chief Financial Officer





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Controller's Office



Workforce Management

The goals, objectives, and strategies developed were consistently reviewed and discussed during one-on-one meetings and weekly staff meetings throughout the year. Workforce management in Financial Services is based upon four key strategies:

- Leadership and management
- Systems and processes
- Operations
- Communications and growth

These strategies were often reviewed and discussed during weekly staff meetings. The methodologies developed in support of each strategy are outlined below.

Leadership and Management

Use balanced leadership. Develop an action plan emphasizing customer service and the achievement of goals and objectives while maintaining effective operations:

- Teach leadership skills.
- Develop a shared leadership model with Administrative Services and Human Resources.
- Introduce coaching as a leadership style.
- Emphasize strategic Laboratory changes without the loss of focus on operations.

Systems and Processes

Model and communicate supervisory skills, resulting in effective and efficient performance through productive working relationships:

- Realign organization with core processes.
- Review technical issues and implement applicable corrective actions.
- Supplement annual performance appraisal with continual review and formal validation every 90 days.
- Recognize duality of focus between strategic (actions) and tactical (results) as part of the evaluation process.
- Utilize teams wherever possible.

Operations

Implement effective and efficient processes to improve services and increase customer satisfaction:

- Define core processes and services.
- Ensure operating plans address:
 - Policies
 - Procedures
 - Parameters
 - Performance
- Balance strategic initiatives with tactical objectives.
- Strive for diversity and balance with equal opportunities.

Communications and Growth

Build and demonstrate trustworthiness through open communication and value-added decisions:

- Create a listening environment.
- Value diversity.
- Encourage input.
- Clearly explain decisions.
- Assess educational and developmental needs of each employee.

Job Validation Initiative

Financial Services collaborated with the Human Resources Compensation unit to market-validate all positions (including titles) within the department to develop market-based performance and salary standards. This initiative will assist in assessing and equalizing areas where issues may exist in pay, workload, opportunities, and/or expectations.

Outreach Recruitment

Financial Services is working with Human Resources to conduct outreach recruitment to diverse sources within the community. For example, the Laboratory was involved in an all-day career fair hosted by California State University at Hayward. Several representatives from Financial Services actively participated in the event. As a result, the Laboratory received several resumes of candidates interested in finance, as well as other areas of the Laboratory.

Diversity

A strategy was developed this year to create a workplace environment based on principles and diversity. Diversity is viewed as the willingness to accept different ideas and points of view, and the ability to develop tolerance and appreciation of those differences. A one-day diversity seminar, "Valuing Workforce Diversity," was presented in June by the New Haven Consulting Group, and was required for Financial Services employees.

Workforce Development

Financial Services is committed to providing quality tools to ensure that the workforce has the opportunity to develop their skills, increase productivity and customer services, and improve their satisfaction level. The following strategies were implemented to strengthen the development of a customer-driven workforce:

- Continued utilization of systems
- Employee support and motivation by management
- Improvements in work environment
- Opportunities for advancement
- Promotion of education and training plans

Strategic Education and Training Plan

In late spring of this year, a career-long learning program was launched for employees as a method in which to promote growth and development. The program resulted in the following planned improvements:

- Employee needs assessment
- Skills-based training to enhance technical skills
- Supervisor and communications-related education for improved leadership
- Training on norms, values, and positive work habits

The needs assessment survey was conducted to assess employee objectives for individual training. As a result, a Strategic Education and Training Plan was developed for employees. The following is a summary of the plan:

Objectives

- Develop communication skills.
- Provide technical opportunities to expand knowledge base.
- Prepare supervisors and managers with coaching and leadership education.

Curriculum

All employees:

- Communications
- Technical training
- Leadership
- Diversity

Supervisors and managers:

- Employee relations issues
- Leadership and management

In addition, a proposed FY-2002 curriculum was developed for future use.

The following is a list of courses attended by employees with the approval and encouragement of management:

- Budget Formulation
- Customer Service
- Diversity
- Grammar and Proofreading
- Excel
- Internal Controls
- Janus
- Negotiating to win
- nVision
- Project Setup
- Query
- Resource Adjustments
- Sales and Use Tax
- Time Management

Library Development

Employees were continuously encouraged by the Chief Financial Officer to enhance their knowledge and reinforce positive workforce skills by reading materials on relevant topics. A library is currently being developed so employees will have access to recommended reading available in the workplace. Several books have been provided such as:

- *Get Everyone in your Boat Rowing in the Same Direction*
- *Mentoring*
- *The Corporate Coach*
- *The Dog Ate My Homework*
- *Who Moved My Cheese?*

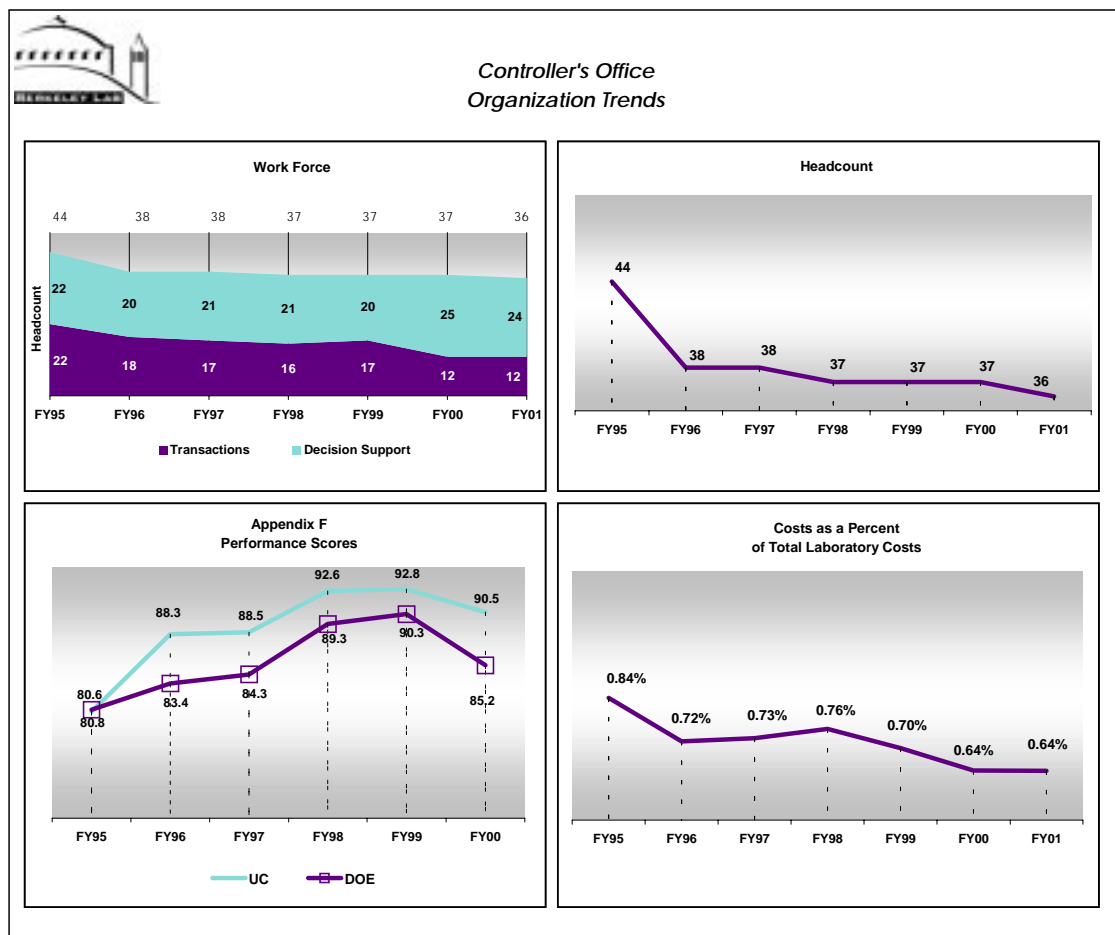
Linking Departmental Performance Objectives to Individual Performance

Each performance objective established for the practice of sound financial management is the direct result of individual employee efforts. In recognition of this relationship, Financial Services is developing a model for the next fiscal year to ensure that employee performance is linked to the appropriate Appendix F objective for each department. Employees are an integral part of the success of the organization. As such, their participation and responsibility in achieving established performance objectives are part of their individual performance evaluation.

Staffing and Skills Mix

To improve performance levels, a review was conducted to ensure that employees' technical skill level was at an appropriate level to meet the department's objectives and goals. This was one of the driving forces in restructuring the organization so that the balance between staffing and technical skills was adequate for improved integration and increased productivity. In addition, the merging of related activities enabled the organization to improve efficiency and provide for a more effective workforce.

The following illustrates organization and workforce trends:



Employee Satisfaction

Expanded Flexible Work Schedules

As part of the continuing effort to improve the quality of work life for employees, Financial Services introduced a new expanded flexible work schedule program. The program is offered to exempt employees on a trial basis. Employees have the option of working a 9/80 schedule with every other Friday off (eight days of working nine hours, one day of working eight hours and one day off every other week). The optional work schedule was selected by 60% of the eligible employees during the initial offering. Several other eligible employees also expressed the desire to participate in the future. A review and evaluation will be conducted after the program is in effect for six months.

Recognition

Exceptional performance is recognized in the form of Spot and Outstanding Performance Awards. These awards were presented throughout the year to employees who have demonstrated outstanding efforts in support of the department's goals and objectives.

Supporting Data

All supporting data are retained in Financial Services files.
